

TENNESSEE STATE SCHOOL BOND AUTHORITY
February 26, 2015
AGENDA

1. Call meeting to order
2. Approval of Minutes from the TSSBA meeting of December 16, 2014
3. Approval of Projects for:

The Tennessee Board of Regents

- Austin Peay State University - Property Acquisition (729); Cost: \$8,700,000 of which \$1,700,000 will be funded by TSSBA; Term of Financing: 5 years as short-term financing
4. Approval of the "Supplemental Resolution Authorizing and Providing for the Issuance and Sale of Higher Educational Facilities Second Program Bonds" for the 2015 Series Bonds and delegate the authority to sell and fix the details of the bonds

TENNESSEE STATE SCHOOL BOND AUTHORITY
December 16, 2014

The Tennessee State School Bond Authority ("TSSBA" or the "Authority") met on Tuesday, December 16, 2014, at 2:10 p.m. in Room LP-29 in the Legislative Plaza, Nashville, Tennessee.

The following members were present:

Honorable Justin Wilson, Comptroller
Honorable Tre Hargett, Secretary of State of Tennessee
Ashley Humphrey, proxy for Honorable David Lillard, State Treasurer
Angela Scott, proxy for Larry Martin, Commissioner of Finance and Administration

The following member participated telephonically as posted:

Chancellor John Morgan, Tennessee Board of Regents
Butch Peccolo, proxy for Dr. Joe DiPietro, President, University of Tennessee

Recognizing a physical quorum present and two members participating by telephone, Mr. Wilson called the meeting to order and recognized that Chancellor Morgan and Butch Peccolo would be participating by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion.

Mr. Wilson asked for a motion to approve the minutes of the meeting held on November 21, 2014. Mr. Hargett moved approval of the minutes. Ms. Humphrey seconded the motion. There being no questions, Mr. Wilson called for a roll-call vote:

Mr. Peccolo	Aye
Mr. Morgan	Aye
Ms. Scott	Aye
Ms. Humphrey	Aye
Mr. Hargett	Aye
Mr. Wilson	Aye

The motion passed.

Mr. Wilson stated that the next item of business was consideration of a staff recommendation to appoint a financial advisor for the TLDA. He said that staff is recommending Public Financial Management, Inc. (PFM) who had satisfactorily responded to the Request for Proposal that had been distributed on October 23, 2014. (A cost proposal from PFM and a draft contract were included in the meeting materials.) Mr. Wilson stated that PFM met all the qualifications. Mr. Wilson made a motion to approve the recommendation, and Mr. Hargett seconded the motion.

Mr. Wilson performed a roll-call vote:

Mr. Peccolo	Aye
Mr. Morgan	Aye
Ms. Scott	Aye
Ms. Humphrey	Aye
Mr. Hargett	Aye
Mr. Wilson	Aye

The motion passed.

Mr. Wilson asked if there was other business to be presented to the Authority. Hearing none, he adjourned the meeting.

Approved on this _____ day of _____, 2015

Respectfully submitted,

Sandra Thompson
Assistant Secretary

Feasibility Study by TSSBA

Prepared on: December 11, 2014

School: Austin Peay State University

Project: Property Acquisition

Project #: 729

Disclosed in Budget: No

	<u>Original</u>
Revenue Source: Annual Parking fees	\$ 100,000
Annual commission and rental from outsourced bookstore	350,000
Total Revenue Src:	<u>\$ 450,000</u>
Assumptions: TSSBA Funding Requested	\$ 1,700,000.00
Interest Rate	2.25%
No. of Years	5
Debt Service Pmt.	363,290.36
Annual Short-Term Loan Payment	\$ 363,290.36



TENNESSEE BOARD OF REGENTS

Office of Administration & Facilities Development | Division of Facilities Development

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December 10, 2014

Ms. Sandi Thompson, Director
Office of State and Local Finance
James K. Polk Building, 16th Floor
Nashville, TN 37243

RE: Austin Peay State University (APSU)
Request for Short Term Financing for Property Acquisition

Ms. Thompson:

We are requesting \$1.7M short term financing for 5 years for acquisition of 10.5 +/- acres from Don-Mar Properties for the benefit of Austin Peay State University. The property is in APSU's master plan and will be used for future campus expansion and parking. The property is several car dealerships (Honda, Ford, Lincoln-Mercury) with additional parking lots. There will be 1,000 parking spaces available immediately to APSU when the property is acquired. The acquisition of the property will be on the December 17, 2014 SBC Executive Subcommittee agenda for approval.

The estimated cost of the property is \$8,700,000, of which APSU will use \$7M of their non-auxiliary campus plant funds for the acquisition. Parking fees, and commission and rental from APSU's outsourced bookstore will repay the debt on the \$1.7M short term bond financing.

Your review and consideration of this request will be appreciated. Please advise if you have any questions.

Sincerely,


Dick J. Tracy
Executive Director
Office of Facilities Development

Enclosures

c: Russ Deaton w/encls.
Mitch Robinson

**Tennessee State School Bond Authority
Project Application**

DEPARTMENT: Tennessee Board of Regents

INSTITUTION/LOCATION: Austin Peay State University / Clarksville, Tennessee

PROJECT : Acquisition of Don-Mar Properties

SBC PROJECT #: _____

PROJECT BUDGET: \$8,700,000.00

Funding Sources:	<u>TSSBA</u>	<u>\$ 1,700,000.00</u>
	<u>Campus Plant Funds (non-auxiliary) (A)</u>	<u>7,000,000.00</u>
	_____	_____
	_____	_____
	_____	_____
	Total	<u>\$ 8,700,000.00</u>

PROJECT REVENUES: (Describe sources and projected levels)

Annual parking fees (\$100,000) and annual omission and rental from outsourced bookstore (\$350,000).

PROJECT LIFE:

Anticipated Useful Life of Project: 30+ years

Desired Term for Financing (if less than useful life): 5 (short term)

ESTIMATED ANNUAL FINANCING CHARGE: \$363,290.36

PROJECT APPROVAL DATES:

BOARD: _____

THEC: _____

SBC: _____

Disclosed in the Governor's Budget: Yes X No If yes, what year?

PROJECT DESCRIPTION: Physical description, including land, buildings and equipment with approximate dollar value. (If a renovation or repair project, please provide information with respect to the renovated or improved portion as well as the entire structure).

Acquire property (10.5 acres, 5 blocks) adjacent to the Austin Peay State University (former car dealerships) which will be used for campus parking and future campus expansion.

REAL ESTATE:

Owner of real property Don-Mar Properties LP

x To be acquired _____ To be leased or other arrangement

The purpose of the following questions are to determine the tax status of this project to be financed with the proceeds of Tennessee State School Bond Authority Bonds and/or Bond Anticipation Notes and the amount of private use associated with this project. Private use means the direct or indirect use of the project by any entity other than a state or local government entity, including use by the Federal Government (including its agencies and instrumentalities) or a Section 501(c)(3), (c)(4), or (c)(6) organization. When the project consists of an improvement that does not involve space that is being used directly by governmental or private users (for example, a re-roofing, air conditioning or energy efficiency improvement), all questions involving uses and users of the project should be answered by reference to all portions of the facility or facilities benefited by the improvement.

The questions below relate to the project referenced above. Attach additional sheets as required. **Please make a copy of this document for your files.**

1. Project Status: (If the project has already been completed, and the proceeds are being used to reimburse the department, please so indicate and include date of project completion.) Pending SBC Executive Subcommittee approval.
2. Project completion estimated to be: September 2015
3. Project Owner: Tennessee Board of Regents
4. Project Operator (see also item 8 below): Austin Peay State University
5. Intended Use of the Project: Future campus expansion and parking for APSU.

6. Intended Users of the Project (excluding use by the general public): Students, faculty and staff.

7. Indicate whether any of the following activities will take place at the project. Indicate whether the activities are operated by a private entity or will indirectly benefit a private entity. Include all incidental private uses. For each direct or indirect private use of the project, indicate the total amount of space the private use occupies in relation to the entire project. (For example, if an area of vending machines operated by a private contractor occupies 50 square feet of a 5,000 square foot area financed, indicate the relationship in terms of the ratio of square footage used.)

Gross Square Footage of Building _____ (See Supporting Data Sheet if more than one building is involved.)

A. Vending Machines:

Square Footage N/A

Operator _____

Are any vending areas separated by walls, night gates, etc. so that they are under the control of the service provider/operator? _____

B. Wholesalers or retailers (e.g., Newsstand, Book Store, Pharmacy, etc.):

Square Footage N/A

Type _____

Operator _____

C. Pay Telephones:

Square Footage N/A

D. Laundry Services:

Square Footage N/A

Operator _____

Are any laundry service areas separated by walls, night gates, etc. so that they are under the control of the service provider/operator? _____

E. Cafeteria or other food services areas:

Square Footage NA

Operator _____

F. Provision of health care services:

Square Footage N/A

Operator _____

G. Laboratory research performed on behalf of or for the benefit of a private entity or pursuant to a cooperative research agreement:

Square Footage N/A

Recipient _____

H. Office space utilized by or on behalf of private entities:

Square Footage NA

Occupant _____

I. Provision of housing for persons or entities other than enrolled students:

Square Footage N/A

8. Attach copies of any management contracts or incentive payment contracts entered into, or to be entered into, in connection with the operation of the project. (Do not include contracts for services that are solely incidental to the primary governmental functions of the facility (for example, contracts for janitorial, office equipment repair or similar services). Indicate the portion of the project to which the contracts relate. Give the usable square feet involved compared to the total usable square feet of the facility being financed. If a contract has not been entered into but is anticipated, indicate that fact.

9. Will any debt proceeds be used to make or finance loans to any private entity? If so, indicate the amount of such loans, the length and payment terms of such loans: No

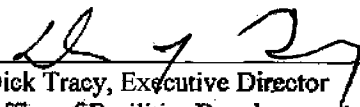
10. Indicate any expected payments (direct or indirect) to be made by non-governmental entities, separately and in the aggregate, to the State or any other governmental entity, with respect to the project.

NA

11. Additional information not explained above. None

Completed this _____ day of _____, _____.

John G. Morgan
Chancellor



Dick Tracy, Executive Director
Office of Facilities Development

Dale Sims, Vice Chancellor for
Business & Finance

To be filled out by the Authority

BOND COUNSEL APPROVAL:

DATE

GOOD

5%

10%

Feasibility Study by TSSBA

Prepared on: December 8, 2014

School: Austin Peay State University

Project: Acquisition of Don-Mar Properties

Project #: TBD

Disclosed in Budget: \$ 3,700,000.00

	<u>Original</u>
Revenue Source: Parking fees	100,000
Commission revenue from outsourced bookstore and	350,000
Total Revenue Src:	<u>\$ 450,000</u>

Assumptions: TSSBA Funding Requested	\$ 1,700,000.00
Interest Rate	2.25%
No. of Years	5
Debt Service Pmt.	363,290.36
Annual Short-Term Loan Payment	\$ 363,290.36

Drawing 2.2:
UNIVERSITY PROPERTY /
POTENTIAL AND OPPORTUNISTIC
LAND ACQUISITION

- 1) 317 College St
330 College St
College St
- 2) 304 College St
318 College St
328 College St
Main St
- 3) 210 College St
- 4) 131 4th St.
- 5) Main St
5 College St
426 College St
4 5th St.



UNIVERSITY PROPERTY
POTENTIAL AND
OPPORTUNISTIC
LAND ACQUISITION

MISSOURI
UNIVERSITY
Campus Plan 2013

- UNIVERSITY
BUILDINGS
- UNIVERSITY
PROPERTY
- HIGH PRIORITY
POTENTIAL AND
OPPORTUNISTIC
LAND ACQUISITION
- LOW PRIORITY
POTENTIAL AND
OPPORTUNISTIC
LAND ACQUISITION
- UNIVERSITY PROPERTY
ACQUISITION 2013-2018
TODAY'S 100 ACRE



LA SOUTHERN











**SUPPLEMENTAL RESOLUTION AUTHORIZING AND
PROVIDING FOR THE ISSUANCE AND SALE OF
HIGHER EDUCATIONAL FACILITIES SECOND
PROGRAM BONDS**

WHEREAS, the Authority and the Board of Trustees have entered into a certain Second Program Financing Agreement dated as of November 1, 1997 in order to provide for the financing and refinancing by the Authority of Projects of the Board of Trustees, and the Authority and the Board of Regents have entered into a certain Second Program Financing Agreement dated as of November 1, 1997 in order to provide for the financing and refinancing by the Authority of Projects of the Board of Regents (said Second Program Financing Agreements, as supplemented and amended from time to time, being herein collectively called the **"Second Program Financing Agreements"**);

WHEREAS, the members of the Authority duly adopted on April 27, 1998 a resolution entitled **"HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM GENERAL BOND RESOLUTION"** (the **"Second Program General Bond Resolution"**) authorizing the issuance of Higher Educational Facilities Second Program Bonds (the **"Bonds"**) from time to time in Series for any purpose permitted under the Act, including to provide for the payment of Project Costs, and otherwise as provided in the Second Program General Bond Resolution;

WHEREAS, in order to provide interim financing of the cost of certain Projects, the Authority entered into a Revolving Credit Agreement dated as of March 20, 2014, with Wells Fargo Bank, National Association, as a Bank, and U.S. Bank National Association, as Administrative Agent and as a Bank (the **"Revolving Credit Agreement"**) and has contracted Revolving Loans thereunder (the **"Revolving Loans"**);

WHEREAS, in order to provide for the prepayment of Revolving Loans for certain Projects and to finance Project Costs of certain other Projects it is deemed necessary and desirable to issue Bonds of the Authority as set forth and provided herein;

WHEREAS, the members of the Authority, (i) pursuant to a Supplemental Resolution adopted pursuant to the Second Program General Bond Resolution on January 3, 2007, including as a part thereof the 2007 Bonds Series Certificate dated January 23, 2007, issued \$33,730,000 principal amount of Higher Educational Facilities Second Program Bonds, 2007 Series A, and \$89,940,000 principal amount of Higher Educational Facilities Second Program Bonds, 2007 Refunding Series C, (ii) pursuant to a Supplemental Resolution adopted pursuant to Second Program General Bond Resolution on November 28, 2007, including as part thereof the 2008 Bonds Series Certificate dated January 31, 2008, issued \$118,530,000 principal amount of Higher Educational Facilities Second Program Bonds, 2008 Series A, (iii) pursuant to a Supplemental Resolution adopted on September 25, 2008, including as a part thereof the 2008B Series Certificate dated December 17, 2008, issued \$166,990,000 principal amount of Higher Educational Facilities Second Program Bonds, 2008 Series B, (iv) pursuant to a Supplemental Resolution adopted on March 6, 2009, including as a part thereof the 2009A Series Certificate dated April 15, 2009, issued \$109,905,000 principal amount of Higher Educational Facilities Second Program Bonds, 2009 Series A, and (v) pursuant to a Supplemental Resolution

adopted pursuant to the Second Program General Bond Resolution on July 8, 2010, including as a part thereof the 2010 Bonds Series Certificate dated September 15, 2010, issued \$213,920,000 principal amount of Higher Educational Facilities Second Program Bonds, 2010 Series A, and \$18,015,000 principal amount of Higher Educational Facilities Second Program Bonds, 2010 Series B (Federally Taxable) (collectively, the **"Prior Bonds"**) to provide moneys to carry out the purposes of the Authority, including to refund bonds therefore issued, all in accordance with the Act and the Second Program General Bond Resolution;

WHEREAS, depending on market conditions, the refunding of all or any portion of the currently Outstanding Prior Bonds that are callable prior to maturity (the **"Refundable Bonds"**) may be in the best financial interests and to the economic advantage of the Authority, and it is advisable and in the best interests of the Authority to provide at this time for the issuance of Bonds of the Authority for such purpose as set forth and provided herein;

NOW, THEREFORE, BE IT RESOLVED by the members of the Tennessee State School Bond Authority:

SECTION 1. Definitions. Unless the context shall clearly indicate some other meaning, all words and terms used in this Supplemental Resolution which are defined in the Second Program General Bond Resolution (the Second Program General Bond Resolution and this Supplemental Resolution being herein collectively called the **"Resolutions"**) or in this Supplemental Resolution shall, for all purposes of this Supplemental Resolution (including the preambles hereto), for all purposes of any certificate, resolution or other instrument amendatory hereof or supplemental hereto and for all purposes of any opinion, instrument or other document herein or therein mentioned, have the respective meanings given to them in the Second Program General Bond Resolution or this Supplemental Resolution, as the case may be.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa.

The terms "hereby", "hereof," "hereto", "herein," "hereunder", and any similar terms, as used in this Supplemental Resolution, refer to this Supplemental Resolution.

SECTION 2. Authorization of 2015 Bonds. (a) There is hereby authorized to be issued under the Act and the Second Program General Bond Resolution a Series of Bonds (herein called the **"2015 Bonds"**) designated "Higher Educational Facilities Second Program Bonds, 2014 Series A"; *provided*, however, that the 2015 Bonds may be divided into more than one Series, and any Series designation may be changed, as provided in a 2015 Bonds Series Certificate, in which case the references in this Supplemental Resolution to 2015 Bonds shall continue to apply to the 2015 Bonds in the aggregate and to the 2015 Bonds as divided, as appropriate. The 2015 Bonds issued for the purposes specified in clauses (i) and (ii) and for the related purpose specified in clause (iv) of Section 3 hereof shall be issued in an aggregate principal amount not to exceed, in the aggregate, \$425,000,000. The 2015 Bonds issued for the purpose specified in clause (iii) and for the related purpose specified in clause (iv) of Section 3 hereof are not limited as to principal amount in consideration of the limitations contained in Sections 4(b), 16(c)(3) and 16(d)(2) hereof.

(b) The 2015 Bonds may be issued as bonds the interest on which is excluded from gross income for Federal income tax purposes (the “**Tax-Exempt 2015 Bonds**”), or as bonds the interest on which is included in gross income for Federal income tax purposes (the “**Taxable 2015 Bonds**”), or in part as Tax-Exempt 2015 Bonds and in part as Taxable 2015 Bonds.

(c) The 2015 Bonds may be issued at one time or from time to time.

SECTION 3. Purposes. The 2015 Bonds may be issued (i) to provide for the prepayment of all or a portion of outstanding Revolving Loans, (ii) to finance all or a portion of the costs of Projects identified pursuant to Section 4 hereof, including funded interest, (iii) to provide, together with other available funds, for the refunding and retirement of Refundable Bonds heretofore issued to finance or refinance all or a portion of the costs of Projects identified pursuant to Section 4 hereof, and (iv) to provide for the payment of costs of issuance of the 2015 Bonds.

SECTION 4. Series Certificates. (a) Pursuant to Section 202(B) of the Second Program General Bond Resolution, there is hereby delegated to an Authorized Officer the power to determine, by means of a Series Certificate or Series Certificates (each, a “**2015 Bonds Series Certificate**”), the following:

(i) the Projects financed or refinanced by the 2015 Bonds authorized by clauses (i) and (ii) of Section 3 hereof, and the principal amount of 2015 Bonds issued for each such Project,

(ii) the principal amount of outstanding Revolving Loans for each Project to be prepaid with proceeds of the 2015 Bonds as described in Section 3 hereof,

(iii) the Projects refinanced by the 2015 Bonds authorized by clause (iii) of Section 3 hereof, and the principal amount of 2015 Bonds issued for each Project, if the Debt Service Reserve Requirement for the 2015 Bonds pursuant to Section 6 hereof is anything other than zero (\$0.00),

(iv) the Debt Service Reserve Requirement, if any, for the 2015 Bonds issued for each Project,

(v) the matters provided in Sections 2, 5, 6, 7, 9, 10, 11, 13 and 16 hereof and this Section 4, and

(vi) any other matters and provisions deemed advisable by such Authorized Officer and not in conflict herewith or with the Second Program General Bond Resolution.

(b) Each 2015 Bonds Series Certificate applicable to the 2015 Bonds shall specify the Refundable Bonds, if any, to be refunded by such 2015 Bonds (the “**Bonds to be Refunded**”). No Series of such 2015 Bonds shall be issued unless the issuance thereof and the refunding of the Bonds to be Refunded thereby results in aggregate present value savings, determined as provided by the next paragraph, of at least four percent (4%), net of estimated costs of issuance, as certified to the Authority by the Financial Advisor to the Authority.

Present value savings shall be calculated by comparing the debt service on each Series of such 2015 Bonds to the remaining debt service on the Bonds to be Refunded thereby, the present value of the result of which is computed as of the issue date of such 2015 Bonds by using a discount rate equal to the yield on such 2015 Bonds calculated (whether for Tax-Exempt 2015 Bonds or Taxable 2015 Bonds) in the same manner as arbitrage yield is calculated for Federally tax-exempt bonds; *provided*, however, if a Series of 2015 Bonds is being issued for the purpose of refunding Bonds to be Refunded and for other purposes, only the portion of such 2015 Bonds issued for the purpose of refunding Bonds to be Refunded (and related allocable costs of issuance) shall be included in such calculation. Percentage present value savings shall be expressed as a percentage of the par amount of such Bonds to be Refunded.

(c) Each 2015 Bonds Series Certificate shall be filed with the Trustee, whereupon it shall be deemed for all purposes of the Resolution to have been adopted by the Authority and to be a part of this Supplemental Resolution as if set forth in full herein.

SECTION 5. Details of 2015 Bonds. The following provisions set forth details of the 2015 Bonds, subject in each case (except subsection (a) of this Section) to any contrary specification in a 2015 Bonds Series Certificate.

(a) The 2015 Bonds shall (i) subject to Section 2 hereof, be in such aggregate principal amount, (ii) be dated and bear interest from such date or dates, (iii) be issuable in such form, (iv) be of such denominations, (v) be numbered and bear such other designations, (vi) mature on the dates (which shall not be later than 30 years after the date of issuance) and in the principal amounts, (vii) bear interest at the rates and be payable on the dates and in the manner, (viii) be Serial Bonds or Term Bonds, (ix) if Term Bonds, be subject to retirement from mandatory Sinking Fund Installments, and (x) be subject to redemption prior to maturity at the times and Redemption Prices, subject to Section 7 hereof, in the case of clauses (i) through (x) above all as provided in the respective 2015 Bonds Series Certificate.

(b) The 2015 Bonds shall be payable as to principal, Sinking Fund Installments, if any, Redemption Price and interest in such coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Principal, Sinking Fund Installments, if any, and Redemption Price of the 2015 Bonds shall be payable upon presentation and surrender thereof to the Paying Agent appointed by subsection (f) of this Section at its designated office. Interest on the 2015 Bonds shall be paid by the Paying Agent by check mailed to the Owner at such Owner's address as it appears on the registration books of the Authority maintained by the Registrar as of the fifteenth day (whether or not a Business Day) of the calendar month next preceding the respective due date. Notwithstanding the foregoing, payment of principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the 2015 Bonds may be made in any manner agreed to by the Authority and the Paying Agent for so long as DTC (as defined in subsection (c) of this Section) or its nominee (or any substitute depository, or successor) is the Owner thereof as Securities Depository (as defined in subsection (c) of this Section).

(c) The 2015 Bonds when initially issued shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC is hereby designated the securities depository for the 2015 Bonds (the "Securities

Depository”), except as provided in subsection (d) of this Section. So long as DTC or its nominee is the Owner of the 2015 Bonds as Securities Depository, individual purchases of beneficial ownership interests in 2015 Bonds may be made only in book-entry form by or through DTC participants, and purchasers of such beneficial ownership interests in 2015 Bonds will not receive physical delivery of 2015 Bond certificates representing the beneficial ownership interest purchased.

The Authority shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2015 Bonds or nominees thereof.

(d) The Authority shall issue 2015 Bond certificates (the **“Replacement Bonds”**) directly to beneficial owners of the 2015 Bonds or to DTC, as specified by DTC procedures, but only in the event that (i) DTC determines to discontinue providing its services with respect to the 2015 Bonds, or (ii) the Authority discontinues use of DTC (or any substitute depository, or successor), subject to DTC procedures. The Authority, the Trustee and the Registrar shall be fully protected in relying upon information provided by DTC, DTC participants or other nominees of beneficial owners, or beneficial owners with respect to the names, addresses and amounts owned by the beneficial owners and other information supplied by them for the purpose of delivering Replacement Bonds.

(e) Provisions similar to those contained in subsections (c) and (d) of this Section may be made by the Authority in connection with the appointment by the Authority of a substitute Securities Depository for the 2015 Bonds, or in the event of a successor to DTC or to any substitute or successor of any thereof.

(f) Regions Bank, Nashville, Tennessee is the successor Trustee under the General Bond Resolution and Registrar and Paying Agent for all Bonds.

SECTION 6. **Separate Reserve Account for 2015 Bonds.** (a) Pursuant to paragraph (C) of Section 1001 of the Second Program General Bond Resolution, there is hereby established for the 2015 Bonds a separate Account in the Debt Service Reserve Fund which shall be applied solely to the payment of 2015 Bonds. The amount required to be on deposit in such separate Account initially shall be zero (\$0.00), but a different amount may be specified or calculated in a manner specified in a separate Supplemental Resolution, subject to the provisions of such paragraph (C), which such separate Supplemental Resolution also may make such other amendments, changes or modifications to the Resolutions as may be deemed necessary or desirable by the Authority to ensure that the Accounts in the Debt Service Reserve Fund function in the manner contemplated in the Second Program General Bond Resolution.

(b) Anything in the Second Program General Bond Resolution to the contrary notwithstanding, the 2015 Bonds shall have no claim or lien on nor shall any 2015 Bonds be payable from any amounts in the Debt Service Reserve Fund other than amounts in the Account therein established by subsection (a) above, and the 2015 Bonds shall be excluded from the calculation of the Debt Service Reserve Requirement for all other Outstanding Bonds.

SECTION 7. Redemption. (a) The 2015 Bonds may be subject to redemption prior to maturity as provided in 2015 Bonds Series Certificates pursuant to Section 5(a)(x) hereof; *provided*, however, that the Redemption Prices of Tax-Exempt 2015 Bonds shall be fixed prices not to exceed 103%, and of Taxable 2015 Bonds shall be fixed prices not to exceed 103% or make-whole prices or a combination thereof, in each case together with the interest accrued on the principal amount to be redeemed to the date fixed for redemption; and *provided* further, however, that notwithstanding the foregoing, any 2015 Bonds may be made not redeemable prior to maturity.

Notice of such redemption shall be mailed to the Owners of the 2015 Bonds or portions thereof to be redeemed at the times and in the manner provided in Section 405 of the Second Program General Bond Resolution. Notwithstanding the foregoing, so long as DTC or its nominee, or any substitute depository, or successor, is the Owner of the 2015 Bonds as Securities Depository (as defined in Section 5(c) hereof), notice of redemption may be given in the manner, and presentation and surrender of the 2015 Bonds may be waived to the extent, agreed to by the Authority, the Registrar and DTC, or any substitute depository, or successor, as the case may be. Any failure of DTC or any substitute depository, or successor, or participant of any thereof, to notify a beneficial owner of a 2015 Bond of any redemption shall not affect the sufficiency or the validity of the redemption of such 2015 Bond.

SECTION 8. Findings and Determinations. The Authority hereby finds and determines that (i) the Second Program General Bond Resolution has not been amended, supplemented or repealed since the effective date thereof other than by the Supplemental Resolutions adopted by the members of the Authority on September 8, 1998, October 12, 2000, March 4, 2002, February 12, 2004, May 31, 2005, May 24, 2006, January 3, 2007, November 28, 2007, September 25, 2008, March 6, 2009, July 8, 2010, June 22, 2012, September 16, 2013, and June 18, 2014, authorizing and providing for the issuance and sale of Higher Educational Facilities Second Program Bonds, 1998 Series A, 1998 Series B (Federally Taxable), 1998 Refunding Series C, 1998 Refunding Series D, 2000 Series A, 2000 Series B (Federally Taxable), 2002 Series A, 2004 Refunding Series A, 2004 Series B, 2004 Series C (Federally Taxable), 2005 Refunding Series A, 2005 Refunding Series B (Federally Taxable), 2006 Series A, 2006 Series B, 2007 Series A, 2007 Series B (Federally Taxable), 2007 Refunding Series C, 2008 Series A, 2008 Series B, 2009 Series A, 2010 Series A, 2010 Series B (Federally Taxable), 2012 Series A, 2012 Refunding Series B (Federally Taxable), 2012 Refunding Series C, 2013 Series A, 2014 Series A (Federally Taxable) and 2014 Refunding Series B, and the Supplemental Resolution Amending General Bond Resolution adopted by the members of the Authority on July 26, 2004, and the Supplemental Resolution Amending General Bond Resolution and Authorizing Amendment of Financing Agreements adopted by the members of the Authority on September 16, 2013, (ii) this Supplemental Resolution constitutes and is a "Supplemental Resolution" within the meaning of and as defined and used in the Second Program General Bond Resolution, (iii) the 2015 Bonds shall constitute and be "Bonds" within the meaning of and as defined and used in the Second Program General Bond Resolution and shall be entitled to the benefits, security and protection of the Second Program General Bond Resolution as set forth therein, and (iv) all Projects for which the 2015 Bonds are to be issued have been approved by the Authority and constitute "Projects" within the meaning of and as defined in the Second Program General Bond Resolution and the Agreements.

SECTION 9. Application of Proceeds of 2015 Bonds and Other Amounts:
Project Construction Accounts. (a) (i) The accrued interest, if any, received from the Purchasers (as defined in Section 16(d)(1) hereof) as part of the purchase price of the 2015 Bonds shall be deposited in the Debt Service Fund and applied to the payment of a portion of the interest due on the 2015 Bonds on the first interest payment date therefor.

(ii) There is hereby created and established in the Construction Fund a separate Project Construction Account for each Project specified in a 2015 Bonds Series Certificate which is financed or refinanced by the 2015 Bonds and for which a Project Construction Account has not previously been established. There shall be paid from the proceeds of the sale of the 2015 Bonds into the Project Construction Account for each such Project the amount of the proceeds of the 2015 Bonds allocable to such Project to be used to pay Project Costs of such Project which are not provided for in other subsections of this Section, which shall be used to pay such Project Costs. Upon such deposit there shall be immediately withdrawn from each such Project Construction Account and deposited in the General Fund as permitted by Section 602(A) of the Second Program General Bond Resolution an amount equal to the Administrative Expenses of the Authority chargeable to such Project and funded from proceeds of sale of the 2015 Bonds, which shall be used to pay Administrative Expenses of the Authority allocable to such Project.

(iii) There is hereby created and established in the Debt Service Fund a separate Capitalized Interest Account for, and designated by the name of, any Project financed by the 2015 Bonds as may be specified in the 2015 Bonds Series Certificates. There shall be deposited to each such Capitalized Interest Account the respective amount, if any, specified in the 2015 Bonds Series Certificates, which shall be used to pay interest on Series 2015 Bonds as specified in the 2015 Bonds Series Certificates.

(iv) The proceeds derived from the sale of the 2015 Bonds to be applied to the prepayment of outstanding Revolving Loans shall be deposited and applied as provided in Section 10 hereof.

(v) The proceeds derived from the sale of the 2015 Bonds to be applied to the refunding and retirement of the Bonds to be Refunded shall be deposited and applied as provided in Section 11 hereof.

(vi) There shall be paid from the proceeds of the sale of the 2015 Bonds into the General Fund the balance of the proceeds of the 2015 Bonds, which shall be used to pay costs of issuance of the 2015 Bonds or, subject to Section 15 hereof and after consultation with the Authority, for other purposes permitted by the Act (as defined in the Second Program General Bond Resolution), the Resolutions and the Second Program Financing Agreements.

(b) Additional deposits may be made into any Fund or Account as may be provided in 2015 Bonds Series Certificates.

SECTION 10. Prepayment of Outstanding Revolving Loans. The proceeds derived from the sale of the 2015 Bonds to be applied to the prepayment of outstanding Revolving Loans shall be applied as required by the Revolving Credit Agreement.

SECTION 11. Refunding Trust Agreements; Redemption of Bonds to be Refunded. (a) The Authority hereby authorizes any officer, member or Assistant Secretary of the Authority to execute and deliver a Refunding Trust Agreement or Refunding Trust Agreements between the Authority and Regions Bank, Nashville, Tennessee, as successor Trustee, Paying Agent and Registrar under the Second Program General Bond Resolution (the "**Refunding Trustee**"), substantially in the form executed and delivered in connection with the issuance of the Authority's Higher Educational Facilities Second Program Bonds, 2014 Refunding Series B, with such variations as the officer executing such agreement, after consultation with counsel to the Authority, shall approve as necessary or appropriate (each, a "**Refunding Trust Agreement**"), such execution and delivery to be conclusive evidence of such approval and consultation.

(b) The proceeds derived from the sale of the 2015 Bonds to be applied to the refunding and retirement of Bonds to be Refunded shall be deposited in one or more trust funds (each, a "**Refunding Trust Fund**") to be held by the Refunding Trustee under the related Refunding Trust Agreement. There also may be transferred and/or deposited to the Refunding Trust Funds other available moneys as shall be specified in the respective Refunding Trust Agreements.

(c) Each deposit of moneys in the Refunding Trust Funds shall be and constitute an irrevocable deposit with the Refunding Trustee of said moneys in trust solely for the payment of the principal of and redemption premium, if any, and interest on the respective Bonds to be Refunded as provided in subsection (e) of this Section, and shall be used solely for such purpose except as provided in subsections (e) and (g) of this Section or in the respective Refunding Trust Agreement.

(d) Each 2015 Bonds Series Certificate relating to 2015 Bonds issued to refund Bonds to be Refunded shall specify whether such Bonds to be Refunded are to be called for redemption prior to maturity or paid at maturity, and may specify whether any such call for redemption shall be revocable and, with respect to any Bonds to be Refunded that are refunded to maturity, whether the right is reserved to later call any such Bonds to be Refunded for redemption prior to maturity. Any such reserved right may be sold for such price and upon such other terms and conditions as may be determined by any officer, member or Assistant Secretary of the Authority.

Each designation of a Bond to be Refunded for redemption prior to maturity, unless initially made revocable, shall be, and is hereby made, irrevocable after the delivery of the respective refunding 2015 Bonds to the Purchasers (as defined in Section 16(d)(1) hereof). Upon such delivery, such Bonds to be Refunded shall not be called for redemption in any other amount or on any other date.

(e) The moneys in the Refunding Trust Funds shall be retained as cash or invested in "**Defeasance Obligations**" (as defined in the Second Program General Bond Resolution) so as to produce funds at least sufficient (i) to pay on the respective optional redemption date of each Bond to be Refunded that is called for redemption prior to maturity, the then applicable redemption price of and interest then due on such Bond to be Refunded, (ii) to pay on the maturity date of each Bond to be Refunded that is not called for redemption prior to

maturity, the amount then due on such Bond to be Refunded, and (iii) to pay the interest due on such Bonds to be Refunded on each interest payment date after the date of delivery of the Bonds and on and prior to their respective redemption or maturity dates.

(f) The State shall cause notices of the redemption of the Bonds to be Refunded to be given in accordance with the provisions of (i) the respective resolutions authorizing the issuance thereof, including but not limited to the Second Program General Bond Resolution, and (ii) the Refunding Trust Agreements.

(g) The Refunding Trustee, as Paying Agent, is directed to pay the principal of and Redemption Price, if any, and interest on the Bonds to be Refunded when due from the moneys and obligations deposited in the respective Refunding Trust Funds under the Refunding Trust Agreements.

(h) The Authorized Officers and other employees of the Authority and of the Office of State and Local Finance of the State are hereby authorized and directed to take all actions as may be necessary or appropriate to effectuate the transactions contemplated by the Refunding Trust Agreements, including but not limited to executing subscriptions for the purchase of U.S. Treasury Securities—State and Local Government Series or otherwise acquiring securities for deposit in the Refunding Trust Funds, whether prior to or simultaneously with the execution and delivery of the Refunding Trust Agreements or at a later date.

SECTION 12. Continuing Disclosure. Any officer, member or Assistant Secretary of the Authority is hereby authorized to execute and deliver a Continuing Disclosure Undertaking, substantially in the form executed and delivered in connection with the issuance of the Authority's Higher Educational Facilities Second Program Bonds, 2014 Series A (Federally Taxable) and 2014 Refunding Series B, with such variations as the signatory thereof, after consultation with counsel to the Authority, shall approve as necessary or appropriate, such execution and delivery to be conclusive evidence of such approval and consultation. Execution of the Continuing Disclosure Undertaking as aforesaid and delivery of the same to the Purchasers (as defined in Section 16(d)(1) hereof) shall be a condition precedent to the obligation of the Purchasers to purchase the 2015 Bonds.

The Authority covenants with the holders from time to time of the 2015 Bonds that it will, and hereby authorizes the appropriate officers and employees of the Authority to take all action necessary or appropriate to, comply with and carry out all of the provisions of the Continuing Disclosure Undertaking as amended from time to time. Notwithstanding any other provision of the Resolutions, failure of the Authority to perform in accordance with the Continuing Disclosure Undertaking shall not constitute a default or an event of default and shall not result in any acceleration of payment of any 2015 Bonds, and any rights and remedies provided by the Resolutions and applicable law upon the occurrence of such a default or an event of default shall not apply to any such failure, but the Continuing Disclosure Undertaking may be enforced only as provided therein.

SECTION 13. Execution and Authentication of 2015 Bonds; Form of Bonds.

(a) The 2015 Bonds shall be executed in the name of the Authority by the manual or facsimile signature of any Authorized Officer or Assistant Secretary of the Authority and the seal of the

Authority shall be affixed thereto or impressed or imprinted thereon or a facsimile thereof affixed thereto or reproduced thereon, and attested by the manual signature of one other of such Authorized Officers or Assistant Secretaries of the Authority, or as otherwise required by law.

(b) The 2015 Bonds shall each have endorsed thereon a certificate of authentication executed by the Registrar either by manual or facsimile signature. Unless and until such certificate of authentication shall have been manually executed by an authorized officer of the Registrar, no 2015 Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit under the Resolutions. Each certificate of authentication shall be dated as of the date of execution thereof.

(c) The 2015 Bonds of each Series shall be numbered from R-1 upwards and may contain such other number or letter designations as determined by the Registrar.

(d) The 2015 Bonds, including the aforesaid certificate of authentication, shall be of substantially the form and tenor as set forth in Exhibit A hereto, subject to change as provided in or to be consistent with any 2015 Bonds Series Certificates.

SECTION 14. CUSIP Numbers. CUSIP identification numbers shall be imprinted on the 2015 Bonds, but no such number shall constitute a part of the contract evidenced by the particular bond upon which it is imprinted, no liability shall attach to the Authority or any officer or agent thereof, including the Trustee, Paying Agent and Registrar for the 2015 Bonds, because of or on account of such numbers or any use made thereof including any use thereof made by the Authority or any such officer or agent, or by reason of any inaccuracy, error or omission with respect thereto or in such use, and neither the failure to print any such number on any 2015 Bond nor any inaccuracy, error, or omission with respect thereto (including any failure to imprint such numbers on any 2015 Bonds) shall constitute cause for failure or refusal by the Purchasers (as defined in Section 16(d)(1) hereof) to accept delivery of and pay for the 2015 Bonds in accordance with the terms of its proposal. All expenses in relation to the printing of such numbers on the 2015 Bonds will be paid by the Authority; *provided*, however, that the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid by the Purchasers. In addition, the Purchasers shall be responsible for applying for the CUSIP identification numbers.

SECTION 15. Tax Covenants. The Authority hereby covenants that it will not use, or permit the use of, any proceeds of the Tax-Exempt 2015 Bonds in a manner that would cause the Tax-Exempt 2015 Bonds to be subjected to treatment under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable regulations thereunder, as each is then in effect, as an “arbitrage bond”, and to that end the Authority shall comply with applicable regulations under said Section 148. The Authority further covenants with the registered owners from time to time of the Tax-Exempt 2015 Bonds that it will throughout the term of the Tax-Exempt 2015 Bonds and through the date that the final rebate, if any, must be made to the United States in accordance with Section 148 of the Code, comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Tax-Exempt 2015 Bonds shall be and continue to be excluded from gross income for federal income tax purposes under said Section 103.

SECTION 16. Sale and Issuance of 2015 Bonds, Preliminary Official Statement, Final Official Statement. (a) If the 2015 Bonds are divided pursuant to Section 2(a) hereof, the 2015 Bonds of more than one Series may be sold collectively or on a Series-by-Series basis.

(b) The 2015 Bonds of each Series may be sold at either a competitive or negotiated sale, the Bonds of any Series may be sold by any such method, and the Bonds of any other Series may be sold by any other such method, as determined in a 2015 Bonds Series Certificate.

(c) **If Sold by Competitive Sale:**

(1) There is hereby authorized a Notice of Sale relating to the 2015 Bonds sold at competitive sale, substantially in the form utilized in connection with the sale of the Authority's Higher Educational Facilities Second Program Bonds, 2010 Series A and 2010 Series B (Federally Taxable), but reflecting details of the transactions contemplated by this Supplemental Resolution, with such variations, as any Authorized Officer, after consultation with counsel to the Authority, shall approve as necessary or appropriate (the "Notice of Sale"), the distribution of which as hereinafter authorized shall be conclusive evidence of such approval and consultation.

(2) Any Authorized Officer or Assistant Secretary of the Authority is hereby authorized to cause the Notice of Sale and Preliminary Official Statement (as defined in subsection (e) of this Section 16) to be distributed to prospective purchasers of such 2015 Bonds and/or published on any Internet platform. The use of any Internet platform as a communications medium to receive bids for the purchase of such 2015 Bonds, as may be provided in the Notice of Sale, also is hereby authorized.

(3) Any Authorized Officer may award the 2015 Bonds to the successful bidder or bidders therefor (the "**Competitive Sale Purchasers**") determined in accordance with and otherwise complying with the Notice of Sale or, as permitted by the Notice of Sale, may reject any or all proposals received for the purchase of such 2015 Bonds or waive any irregularity in any proposal; *provided*, however, that the true interest cost of such 2015 Bonds, determined as provided in the Notice of Sale by the Authorized Officer executing the related 2015 Bonds Series Certificate, which determination shall be conclusive, shall not exceed 5.00% for Tax-Exempt 2015 Bonds of each Series and 6.00% for Taxable 2015 Bonds of each Series. Such awards and determinations shall be confirmed in the related 2015 Bonds Series Certificate.

(d) **If Sold by Negotiated Sale:**

(1) The 2015 Bonds sold at negotiated sale are hereby authorized to be sold to such underwriters as may be selected by the members of the Authority and named in the Bond Purchase Agreement authorized in paragraph (2) below (collectively, the "**Negotiated Sale Purchasers**" and, together with the Competitive Sale Purchasers, the "**Purchasers**") upon the terms and conditions set forth in the Bond Purchase Agreement; *provided*, however, that the lead book-running underwriter and senior manager(s) thereunder shall be selected from among the following or any parent or affiliate thereof: Citigroup Global Markets Inc.; JPMorgan Securities LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Morgan Stanley & Co., LLC; Piper

Jaffray & Co.; Raymond James & Associates, Inc.; RBC Capital Markets LLC; SunTrust Robinson Humphrey; and Wells Fargo Securities, LLC. In consideration of Section 4(b) hereof and paragraph (2) below, it is not necessary for the Authority to place any limitation on the purchase price payable by the Negotiated Sale Purchasers.

(2) Any officer, member or Assistant Secretary of the Authority is hereby authorized to execute and deliver a Bond Purchase Agreement or Agreements, substantially in the form executed and delivered in connection with the issuance of the Authority's Higher Educational Facilities Second Program Bonds, 2014 Series A (Federally Taxable) and 2014 Refunding Series B, with such variations as the officer, member or Assistant Secretary executing such agreements, after consultation with counsel to the Authority, shall approve as necessary or appropriate (each, a **"Bond Purchase Agreement"**), such execution and delivery to be conclusive evidence of such approval and consultation; *provided*, however, that the true interest cost of such 2015 Bonds, determined by a 2015 Bonds Series Certificate, which determination shall be conclusive, shall not exceed 5.00% for Tax-Exempt 2015 Bonds of each Series and 6.00% for Taxable 2015 Bonds of each Series.

(e) There is hereby authorized a Preliminary Official Statement relating to the 2015 Bonds, substantially in the form of the draft thereof presented to the Member of the Authority in advance of the meeting at which this Supplemental Resolution is adopted, with such variations, omissions and insertions as any Authorized Officer, after consultation with counsel to the Authority, shall approve as necessary or appropriate (the **"Preliminary Official Statement"**), the publication or distribution of which as hereinafter authorized shall be conclusive evidence of such approval and consultation; *provided*, however, that a draft thereof shall be distributed to the members of the Authority prior to publication and distribution as hereinafter authorized. Any Authorized Officer or Assistant Secretary of the Authority is hereby authorized to cause the Preliminary Official Statement to be distributed to prospective purchasers of the 2015 Bonds and/or published on the Internet via any Internet platform, substantially in such form, with such necessary or ~~appropriate~~ variations, omissions and insertions as determined by such officer after consultation with counsel to the Authority. Any Authorized Officer or Assistant Secretary of the Authority is authorized to (i) determine that the Preliminary Official Statement, as so modified, is "deemed final" as of its date for purposes of Securities and Exchange Commission Rule 15c2-12 except for omissions permitted by such Rule, subject to revision, amendment and completion in the final Official Statement as defined in such Rule, (ii) include such determination in the Notice of Sale and/or Preliminary Official Statement, and (iii) confirm such determination in a 2015 Bonds Series Certificate or Certificates or Bond Purchase Agreement.

(f) Any Authorized Officer is hereby authorized and directed to prepare or cause to be prepared, and to execute and deliver, an Official Statement relating to the 2015 Bonds substantially in the form of the Preliminary Official Statement, with such variations, omissions and insertions as such Authorized Officer, after consultation with counsel to the Authority, shall approve as necessary or appropriate, (the **"Official Statement"**), the execution and delivery of which shall be conclusive evidence of such approval and consultation.

(g) The Authority hereby authorizes the use and distribution of the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the 2015 Bonds.

(h) The Authorized Officers and other officers and employees of the Authority, and other officials and employees of the State, including those of the Office of State and Local Finance of the State, are hereby authorized and directed to carry out or cause to be carried out all obligations of the Authority under each Bond Purchase Agreement and to execute and deliver all documents and to perform such other actions not otherwise provided for by this Section as they, in consultation with counsel to the Authority, shall consider necessary or advisable in connection with the issuance, sale and delivery of the 2015 Bonds.

(i) Without limiting the generality of subsection (h) of this Section, (1) if any commitment or commitments are obtained by the Authority for municipal bond insurance in connection with any or all of the 2015 Bonds, the procurement of such insurance, and the execution by any Authorized Officer of such commitment or commitments and such other documents as may be required thereby, is hereby authorized, and (2) if municipal bond insurance is specified by the Purchasers as part of their bid, or in the Bond Purchase Agreement, for the 2015 Bonds, the execution and delivery of any documents relating to such insurance is hereby authorized. Each 2015 Bonds Series Certificate relating to insured 2015 Bonds may include such matters pertaining to such insurance as may be necessary or desirable to satisfy the commitment therefor.

(j) All actions heretofore taken by the officers, employees and agents of the Authority in connection with the offering and sale of the 2015 Bonds are hereby ratified and confirmed.

SECTION 17. Authority for this Supplemental Resolution. This Supplemental Resolution is adopted pursuant to the provisions of the Act and the Second Program General Bond Resolution.

SECTION 18. Supplemental Resolution Constitutes Contract. In consideration of the purchase and acceptance of any and all of the 2015 Bonds issued hereunder by those who are Owners of the 2015 Bonds from time to time, this Supplemental Resolution shall be deemed to be and shall constitute a contract between the Authority and the Owners of the 2015 Bonds, and the pledges made in this Supplemental Resolution and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of any and all of the 2015 Bonds, all of which, regardless of the time or times of their authentication, issuance or delivery, or maturity, shall be of equal rank without preference, priority or distinction of any of the 2015 Bonds over any other thereof, except as expressly provided in or permitted by the Resolutions.

SECTION 19. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Supplemental Resolution on the part of the Authority or any Fiduciary to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and

construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Supplemental Resolution.

SECTION 20. Headings of Sections. The headings of the sections of this Supplemental Resolution are for convenience of reference only, and shall not affect the meaning, construction or interpretation of this Supplemental Resolution.

SECTION 21. Repealer. All previous authorizations of Bonds to refund other Bonds theretofore issued, to the extent such refunding Bonds have not been issued as of the date of adoption of this Supplemental Resolution, are hereby repealed and rescinded.

SECTION 22. Effective Date. This Supplemental Resolution shall be in full force and effect from and after its adoption as provided by law.

ADOPTED: February 26, 2015.

EXHIBIT A

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE BOND TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R-_____

\$_____

TENNESSEE STATE SCHOOL BOND AUTHORITY
HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM BOND
2015 [REFUNDING] SERIES __ [(FEDERALLY TAXABLE)]

<u>Date of Bond</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP</u>
_____, 2015	_____%	_____, 1, ____	880558 ____

Registered Owner: Cede & Co.

Principal Amount:

THE TENNESSEE STATE SCHOOL BOND AUTHORITY (hereinafter called the "Authority"), a corporate governmental agency and instrumentality of the State of Tennessee, organized and existing under and by virtue of the laws of said State, acknowledges itself indebted to, and for value received, hereby promises to pay to the Registered Owner hereof named above or registered assigns, but solely from the revenues and other moneys of the Authority hereinafter specified and not otherwise, the Principal Amount set forth above on the Maturity Date set forth above (subject, if this Bond matures on and after ____ 1, 20__, to prior redemption as hereinafter mentioned), upon the presentation and surrender hereof at the corporate trust office of Regions Bank, Nashville, Tennessee, as successor Trustee and Paying Agent under the Higher Educational Facilities Second Program General Bond Resolution adopted by the Authority on April 27, 1998 (as the same has been and may be amended, herein called the "Second Program General Bond Resolution") and the Supplemental Resolution hereinafter referred to, or its successor or successors as Trustee (herein called the "Trustee") and as Paying Agent (herein called the "Paying Agent"), and to pay interest on such Principal Amount, but solely from such revenues and other moneys of the Authority hereinafter specified and not otherwise, from the date hereof until the payment of such Principal Amount in full, at the Interest Rate per annum set forth above, payable on ____ 1, 20__, and semi-annually thereafter on ____ 1 and ____ 1, such interest to be paid to the Registered Owner as of the close of business on the fifteenth day (whether or not a Business Day) of the next preceding calendar month by check mailed by the Paying Agent to such Registered Owner at his address as it appears on the registration books of the Authority maintained by Regions Bank, Nashville,

Tennessee, as Registrar under the Second Program General Bond Resolution, or its successor or successors as Registrar (herein called the "Registrar") except to the extent any other method of payment is permitted by the Supplemental Resolution hereinafter referred to and agreed to by the Authority and the Paying Agent. The offices of the Trustee, Paying Agent and Registrar shall be determined from time to time pursuant to the Second Program General Bond Resolution. Principal, Sinking Fund Installments, if any, and Redemption Price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment thereof is legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of bonds of the Authority designated "Higher Educational Facilities Second Program Bonds" (herein called the "Bonds") issued and to be issued in various series under and pursuant to the Tennessee State School Bond Authority Act (Sections 49-3-1201 et seq., Tennessee Code Annotated, herein called the "Act") and the Second Program General Bond Resolution. The Bonds constitute special obligations of the Authority the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on which shall be payable solely from and secured solely by the Annual Financing Charges, Legislative Appropriations and other moneys and securities held or set aside under the Second Program General Bond Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Second Program General Bond Resolution. Annual Financing Charges are payable by the Board of Trustees of the University of Tennessee and by the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee under the respective Second Program Financing Agreements dated as of November 1, 1997, each as amended and restated as of May 9, 2013, by and between the Authority and each such Board (as the same may be supplemented and amended from time to time, the "Second Program Financing Agreements") and Legislative Appropriations are payable by said Boards pursuant to the Second Program Financing Agreements and the Act.

As provided in the Second Program General Bond Resolution, Bonds may be issued from time to time pursuant to Supplemental Resolutions in one or more Series and in various principal amounts, may mature at different times, may bear interest at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the Second Program General Bond Resolution is not limited except as may be limited by law, and as provided in or permitted by the Resolution (as hereinafter defined), and all Bonds issued and to be issued under the Second Program General Bond Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided in or permitted by the Second Program General Bond Resolution.

This Bond is one of a Series of Bonds designated "Higher Educational Facilities Second Program Bonds, 2015 [Refunding] Series __ [(Federally Taxable)]" (herein called the "2015 Bonds") issued in the aggregate principal amount of \$ _____ under and pursuant to the Second Program General Bond Resolution and a Supplemental Resolution adopted by the Authority on February 26, 2015, including as a part thereof a Series Certificate of the Authority dated _____, 2015 (herein called the "Supplemental Resolution"; collectively with the Second Program General Bond Resolution, the "Resolution"). Copies of the Resolution, including the Supplemental Resolution, are on file at the office of the Authority and at the designated office of the Trustee, and reference to the Resolution and any and all supplements thereto and amendments thereof and to the Act is made for a description of the pledges and

covenants securing the Bonds, including the 2015 Bonds; the nature, extent and manner of enforcement of such pledges; the rights and remedies of the Owners of the Bonds with respect thereto; the terms and conditions upon which the Bonds are issued and may be issued thereunder; and definitions of certain terms used herein. To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution or any resolution amendatory thereto or supplemental thereof may be amended by the Authority, in some cases without the consent of any Owners of Bonds and in some cases with the consent of the Owners of at least fifty-one percent in principal amount of the Bonds then Outstanding, and, in case less than all of the several Series of Bonds would be affected thereby, with such consent of the Owners of at least fifty-one percent in principal amount of the Bonds of each Series so affected then Outstanding.

The principal of the Bonds may be declared due and payable before the maturity thereof as provided in the Resolution and the Act.

[This Bond, if it matures on or prior to ____ 1, ____, shall not be subject to redemption prior to maturity. This Bond, if it matures on or after ____ 1, ____, shall be subject to redemption from any available moneys, at the option of the Authority, at any time on and after ____ 1, ____, as a whole, or in part from time to time in any order of maturity determined by the Authority and within a maturity as determined by the Registrar to be fair and appropriate, at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption.]

[Prior to _____, 20__, the 2015 Bonds shall be subject to redemption prior to their stated maturities, from any available moneys, at the option of the Authority, at any time as a whole or in part from time to time in any order of maturity as determined by the Authority, at a Redemption Price equal to the Make-Whole Redemption Price (as defined below). The "Make-Whole Redemption Price" of any 2015 Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such 2015 Bonds or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on such 2015 Bonds to the maturity date of such 2015 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2015 Bonds are to be redeemed, discounted on a semiannual basis to the date on which such 2015 Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus ____ basis points (0.____%), plus in each case accrued and unpaid interest on such 2015 Bonds on such redemption date.

The "Treasury Rate" is, as of the redemption date of any 2015 Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) or, if such Statistical Release is no longer published, any source of similar market data) that has become publicly available at least two (2) Business Days, but not more than forty-five (45) Business Days, prior to such redemption date (excluding inflation indexed securities) most nearly equal to the period from the redemption date to the maturity date of such 2015 Bonds to be redeemed; *provided*, however, that if the period from the redemption date to such maturity date is less than one year, the latest weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year that has become publicly available

at least two (2) Business Days, but not more than forty-five (45) Business Days, prior to such redemption date shall be used.

The Make-Whole Redemption Price (and, if necessary, such substitute source of market data) shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority to calculate such redemption price (the "Calculation Agent"). The determination by the Calculation Agent of the redemption price shall be conclusive and binding on the Authority, the Trustee, Paying Agent and Registrar, and the Owners of the 2015 Bonds.

This Bond, if it matures on ____ 1, ____, or on ____ 1, ____, shall also be subject to redemption prior to maturity from Sinking Fund Installments accumulated in the Debt Service Fund created under the Second Program General Bond Resolution, in part [on ____ 1, ____, or on ____ 1, ____, respectively, and in each case on each ____ 1 thereafter][on ____ 1 of the preceding calendar year (or, in the case of the 2015 Bonds maturing in ____ and in ____, on ____ 1, ____ and on ____ 1, ____, respectively, and in each case on each ____ 1 and ____ 1 thereafter] prior to maturity, at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption.

[If fewer than all of the 2015 Bonds of like maturity are called for prior redemption, the particular 2015 Bonds or portions of 2015 Bonds to be redeemed will be selected by the Registrar *pro rata* as nearly as practicable in proportion to the principal amounts of the 2015 Bonds owned by each registered owner, subject to the authorized denominations applicable to the 2015 Bonds. In such event, the particular 2015 Bonds to be redeemed will be determined by the Registrar in such manner as the Registrar determines to be fair and appropriate.]

If this Bond (or a portion hereof in installments of \$5,000 or any integral multiple thereof) is redeemable and shall be called for redemption, notice of the redemption hereof shall be given not less than thirty (30) days prior to the redemption date, by mail to the Registered Owner of this Bond at the address of the Registered Owner as shown on the registration books of the Authority. Notice having been given in the manner provided, this Bond or the portion hereof so called for redemption shall become due and payable on the redemption date designated by the Authority, and the Redemption Price of and accrued interest, if any, on this Bond or portion hereof to be redeemed shall be paid upon presentation and surrender of this Bond at the office specified in such notice, together with, in the event this Bond is presented by other than the Registered Owner, a written instrument of transfer duly executed by the Registered Owner or the Registered Owner's duly authorized attorney; *provided*, however, that any notice of redemption may be made conditional upon the availability of sufficient moneys to pay the Redemption Price, plus interest accrued and unpaid to the redemption date. If less than the entire principal amount of this Bond shall be redeemed, the Registrar shall authenticate and deliver, upon the surrender of this Bond, without charge to the Registered Owner hereof, for the unredeemed balance of the principal amount of this Bond so surrendered, a new registered 2015 Bond or Bonds of like maturity in any authorized denomination.

Notice of redemption having been given as aforesaid, if on the date fixed for redemption of this Bond or any portion hereof, moneys for the Redemption Price of this Bond or

such portion hereof to be redeemed, plus interest accrued and unpaid to the redemption date, shall be held by the Paying Agent so as to be available therefor on said date, then this Bond or the portion hereof called for redemption shall become due and payable at the applicable Redemption Price herein provided, and from and after the redemption date, interest on this Bond or the portion hereof called for redemption shall cease to accrue.

This Bond is transferable, as provided in the Resolution, only upon the books of the Authority kept for that purpose at the designated office of the Registrar, by the Registered Owner hereof in person, or by his attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or his duly authorized attorney, and thereupon a new registered 2015 Bond or Bonds of the same aggregate principal amount, tenor and maturity, shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon the payment of the charges, if any, therein prescribed.

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Resolution until the certificate of authentication hereon shall have been duly executed by the Registrar.

This Bond shall not be a debt of the State of Tennessee, and the State shall not be liable hereon.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Tennessee and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 2015 Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Tennessee State School Bond Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman, Secretary, Assistant Secretary or any Authorized Officer and its seal to be affixed hereto or impressed or imprinted hereon or a facsimile thereof affixed hereto or reproduced hereon, and attested by the manual or facsimile signature of one other of such officers, or as otherwise required by law, all as of the date of this Bond set forth above.

TENNESSEE STATE SCHOOL
BOND AUTHORITY

By: _____
Authorized Signatory

(SEAL)

Attest:

By: _____
Authorized Signatory

CERTIFICATE OF AUTHENTICATION

This will certify that this Bond is one of the 2015 Bonds described in the within-mentioned Resolution.

REGIONS BANK,
as Registrar

Date of Authentication:

By: _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(Please print or type name and address, including postal zip code, of Assignee)

PLEASE INSERT SOCIAL SECURITY OR
OTHER TAX IDENTIFYING NUMBER OF ASSIGNEE

the within Bond and all rights hereunder, hereby irrevocably constituting and appointing _____, Attorney, to transfer such Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of The New York Stock Exchange, Inc. or a commercial bank or trust company

(Signature of Registered Owner)
NOTICE: The signature above must correspond with the name of the registered owner as it appears on the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

NEW ISSUE

BOOK-ENTRY ONLY

**OFFICIAL STATEMENT
TENNESSEE STATE SCHOOL BOND AUTHORITY
HIGHER EDUCATIONAL FACILITIES
SECOND PROGRAM BONDS**

\$ _____ * 2015 REFUNDING SERIES A (FEDERALLY TAXABLE)
\$ _____ * 2015 REFUNDING SERIES B
\$ _____ * 2015 SERIES C

Dated: Date of Delivery

Due: November 1 (as shown on inside front cover)

This Official Statement has been prepared by the Tennessee State School Bond Authority (the "Authority") to provide information relating to the Authority's Higher Educational Facilities Second Program Bonds, 2015 Refunding Series A (Federally Taxable) (the "2015A Bonds"), 2015 Refunding Series B (the "2015B Bonds") and 2015 Series C (the "2015C Bonds") (collectively, the "Offered Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Offered Bonds, a prospective investor should read the Official Statement in its entirety.

Security	The Offered Bonds are special obligations of the Authority payable solely from and secured by Annual Financing Charges (as defined herein) payable to the Authority by the Board of Trustees of The University of Tennessee and the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee, Legislative Appropriations (as defined herein) payable to the Authority and other funds as more fully described herein. The Authority has no taxing power. (See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein).
Purpose	See "PURPOSES OF THE OFFERED BONDS" herein.
Interest Payment Dates	May 1 and November 1, beginning May 1, 2015.
Interest Rates/Prices/Yields	See inside front cover.
Denominations	\$5,000 or integral multiples thereof.
No Debt Service Reserve	The Offered Bonds currently will not be secured by any funded debt service reserve. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Debt Service Reserve Fund" herein.
Book-Entry Only System	The Depository Trust Company. See Appendix F.
Redemption	See "DESCRIPTION OF THE OFFERED BONDS - Redemption" herein.
Tax Exemption	Interest on the 2015B and 2015C Bonds is excluded from gross income for Federal income tax purposes to the extent and subject to the conditions, limitations and continuing compliance with tax covenants as described herein. The Offered Bonds and the interest thereon are exempt from Tennessee taxes, subject to certain exceptions. See "TAX MATTERS" herein.
Ratings	See "RATINGS" herein.
Trustee/Paying Agent	Regions Bank, Nashville, Tennessee.

The Offered Bonds are offered when, as and if issued and received by the Underwriters subject to certain conditions, including the approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Certain legal matters in connection with the Offered Bonds are subject to the approval of the Attorney General and Reporter of the State of Tennessee, as counsel to the Authority, and Bass Berry & Sims PLC, as counsel to the Underwriters. The Offered Bonds are expected to be available through the facilities of The Depository Trust Company on or about _____, 2015.

Dated: _____, 2015

* Preliminary; subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any jurisdiction.

TENNESSEE STATE SCHOOL BOND AUTHORITY

Higher Educational Facilities Second Program Bonds

Maturities, Amounts, Interest Rates, Yields/Price, and CUSIP Numbers*

\$ _____[†] **2015 Refunding Series A (Federally Taxable)**

Due		Interest		CUSIP*
<u>Nov 1</u>	<u>Amount[†]</u>	<u>Rate</u>	<u>Yield</u>	<u>880558</u>

\$ _____ % Term Bonds¹ due Nov. 1, 20__, Yield _____%, CUSIP*

\$ _____[†] **2015 Refunding Series B**

Due		Interest		CUSIP*
<u>Nov 1</u>	<u>Amount[†]</u>	<u>Rate</u>	<u>Yield</u>	<u>880558</u>

\$ _____ % Term Bonds¹ due Nov. 1, 20__, Yield _____%, CUSIP*

\$ _____[†] **2015 Series C**

Due		Interest		CUSIP*
<u>Nov 1</u>	<u>Amount[†]</u>	<u>Rate</u>	<u>Yield</u>	<u>880558</u>

\$ _____ % Term Bonds¹ due Nov. 1, 20__, Yield _____%, CUSIP*

[†]Preliminary; subject to change

*These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. The Authority is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Offered Bonds or as indicated herein.

¹Any of the Bonds may be structured as Term Bonds. Such Term Bonds will be subject to mandatory sinking fund redemption, which provisions will be included in the final Official Statement (see "DESCRIPTION OF THE OFFERED BONDS – Redemption – *Mandatory Sinking Fund Redemption*").

This Official Statement does not constitute an offering of any security other than the Offered Bonds specifically offered hereby. No dealer, broker or other person has been authorized by the Authority to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, the Offered Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Certain information set forth herein has been provided by the Authority. Certain other information set forth herein has been obtained by the Authority from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the Authority and the terms of the offering, including the merits and risks involved.

The prices and other terms respecting the offering and sale of the Offered Bonds may be changed from time to time by the Underwriters after such Offered Bonds are released for sale, and the Offered Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Offered Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OFFERED BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NO REGISTRATION STATEMENT RELATING TO THE OFFERED BONDS HAS BEEN FILED WITH THE SECURITIES EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES AGENCY. THE OFFERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

In making an investment decision, investors must rely on their own examination of the Authority and the terms of the offering, including the merits and risks involved.

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TENNESSEE STATE SCHOOL BOND AUTHORITY

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Justin P. Wilson, Comptroller of the Treasury, *Secretary*
Tre Hargett, Secretary of State
David H. Lillard, Jr., State Treasurer
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**OFFICIAL STATEMENT
TENNESSEE STATE SCHOOL BOND AUTHORITY
HIGHER EDUCATIONAL FACILITIES
SECOND PROGRAM BONDS**

\$ _____ * 2015 REFUNDING SERIES A (FEDERALLY TAXABLE)
\$ _____ * 2015 REFUNDING SERIES B
\$ _____ * 2015 SERIES C

INTRODUCTION

The purpose of this Official Statement (including the cover and inside cover pages hereof and the Appendices hereto) is to set forth information concerning (i) the Tennessee State School Bond Authority (the "Authority"), (ii) the Board of Trustees of The University of Tennessee (the "Board of Trustees"), (iii) the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee (the "Board of Regents"), (iv) the Institutions (as defined below), and (v) the Authority's \$ _____ aggregate principal amount of Higher Educational Facilities Second Program Bonds, 2015 Refunding Series A (Federally Taxable) (the "2015A Bonds"), \$ _____ aggregate principal amount of Higher Educational Facilities Second Program bonds, 2015 Refunding Series B (the "2015B Bonds") and \$ _____ aggregate principal amount of Higher Educational Facilities Second Program Bonds, 2015 Series C (the "2015C Bonds"). The 2015A Bonds, 2015B Bonds and 2015C Bonds are referred to collectively as the "Offered Bonds". The Board of Trustees and the Board of Regents are referred to collectively as the "Boards". "Institutions" consist of (i) the University of Tennessee system, including all of its branches and divisions wherever located, and the services, programs and activities provided therein, and the Board of Trustees, in the aggregate, and (ii) the State University and Community College System, including all of its constituent institutions, wherever located (whether or not conferring degrees), and the services, programs and activities provided therein, and the Board of Regents, in the aggregate.

The capitalization of any word not conventionally capitalized and not otherwise defined herein indicates that such word is defined in the Glossary of Certain Terms attached hereto as Appendix C, in the Resolution (as defined herein), or in the Financing Agreements (as defined herein).

The Offered Bonds will be issued pursuant to the Tennessee State School Bond Authority Act, as amended, Sections 49-3-1201 *et seq.*, Tennessee Code Annotated (the "Act"); the Higher Educational Facilities Second Program General Bond Resolution adopted by the Authority on April 27, 1998, as amended May 9, 2013, authorizing the issuance thereunder from time to time of Higher Educational Facilities Second Program Bonds (the "Bonds"); and a Supplemental Resolution adopted by the Authority on February 26, 2015, authorizing and providing for the issuance of the Offered Bonds (such General Bond Resolution as amended and supplemented from time to time, including by such Supplemental Resolution, the "Resolution"). For a "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION", see Appendix E.

The Act empowers the Authority, among other things, to issue its bonds and notes to obtain funds, or to refund its bonds or notes issued to obtain funds, to finance higher education facilities (as defined in Appendix C, the "Projects") for the purposes of the Institutions and the Boards.

A portion of the proceeds of the 2015A Bonds will be used to prepay the principal of a portion of the loans (the "Revolving Credit Loans") outstanding under a Revolving Credit Agreement dated March 20, 2014, by and among the Authority, Wells Fargo Bank, National Association, as Bank, and U.S. Bank National Association as Administrative Agent and as Bank (the "Revolving Credit Agreement") with respect to certain Projects and to finance additional costs of certain of such Projects and costs of other Projects and advance refund certain outstanding Bonds. The remaining proceeds of the 2015A Bonds will be applied as described in "PURPOSES OF THE OFFERED BONDS – Plan of Refunding and Application of the 2015A Bond Proceeds."

A portion of the proceeds of the 2015B Bonds will be used to advance refund certain outstanding Bonds. The remaining proceeds of the 2015B Bonds will be applied as described in "PURPOSES OF THE OFFERED BONDS – Plan of Refunding and Application of 2015B Bond Proceeds."

A portion of the proceeds of the 2015C Bonds will be used to prepay the principal of a portion of the loans (the "Revolving Credit Loans") outstanding under a Revolving Credit Agreement dated March 20, 2014, by and among the Authority, Wells Fargo Bank, National Association, as Bank, and U.S. Bank National Association as Administrative Agent and as Bank (the "Revolving Credit Agreement") with respect to certain Projects and to finance additional costs of certain of such Projects and costs of other Projects. For a description of the Revolving Credit Agreement, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Revolving Credit Agreement". The remaining

*Preliminary; Subject to change

proceeds of the 2015C Bonds will be applied as described in “PURPOSES OF THE OFFERED BONDS –Application of the 2015C Bond Proceeds.”

The Offered Bonds will be payable and secured under the Resolution on a parity with all other Bonds heretofore and hereafter issued pursuant to the Act and the Resolution, except as described herein with respect to the Debt Service Reserve Fund or otherwise as permitted by the Resolution. Currently, the aggregate principal amount of Bonds which may be issued under the Resolution is not limited by law or the Resolution. As of January 31, 2015, \$1,300,325,000 (unaudited) aggregate principal amount of Bonds were outstanding, excluding the Offered Bonds but including the Bonds to be refunded by the Offered Bonds. In addition, as of January 31, 2015, the Authority had \$135,651,375 (unaudited) aggregate principal amount of the Revolving Credit Loans outstanding, of which \$ _____ will be prepaid by the 2015A Bonds and 2015C Bonds on or about _____, 2015. See “THE AUTHORITY – Outstanding Indebtedness of the Authority”.

The Bonds, including the Offered Bonds, constitute special obligations of the Authority. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds shall be payable solely from and secured by the Annual Financing Charges, Legislative Appropriations and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.

The Authority and each Board have entered into a separate Second Program Financing Agreement dated as of November 1, 1997, as amended (each, a “Financing Agreement”). The Financing Agreements obligate the Authority to use its best efforts to finance Projects for the respective Boards under certain terms and conditions. Annual Financing Charges payable with respect to a Project (including debt service on the portion of the Bonds issued for that Project) are required under the Financing Agreements to be paid by the Boards, as and when the same become due, only from Fees and Charges collected by or on behalf of the respective Institution and, if necessary, from Legislative Appropriations for the operation and maintenance of the respective Institution as described herein. See “SECURITY FOR THE PAYMENT OF THE BONDS – Annual Financing Charges; Fees and Charges” and “– Legislative Appropriations”. For a discussion of recent changes to the definition of the term “Institution”, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recent Amendments to the Act, the Resolution and the Financing Agreements” and Appendix C – “GLOSSARY OF CERTAIN TERMS”.

Under each Financing Agreement, the relevant Board covenants and agrees to establish and collect Fees and Charges at each Institution at a level sufficient to produce in each Fiscal Year no less than two times the amount required for the payment of the aggregate (without duplication) of (i) all Annual Financing Charges in such Fiscal Year payable with respect to all Projects for the Institution, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges in such Fiscal Year with respect to the Institution.

The Resolution establishes a Debt Service Reserve Fund, which has been maintained at the level of the Debt Service Reserve Requirement, as provided in the Resolution, for all Bonds issued prior to 2012 currently outstanding under the Resolution. **However, as permitted by the Resolution and as further described herein, the Authority has established a separate account in the Debt Service Reserve Fund solely for the Offered Bonds and elected not to fund such account. While the Authority is authorized to fund such accounts at a later date, it has no present intent to do so. Unlike the currently outstanding Bonds issued prior to 2012, the Offered Bonds are not secured by any other account or amounts on deposit in the Debt Service Reserve Fund; are not payable from any other account or amounts on deposit in the Debt Service Reserve Fund; and will not be included in the calculation of the Debt Service Reserve Requirement either at initial issuance or at a later date.** See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Debt Service Reserve Fund”.

The Financing Agreements and the Resolution constitute the second and only presently available Authority loan program for the Boards.

For a summary of the provisions of the Financing Agreements see “Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS”. For a discussion regarding the security and sources of payment for the Offered Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS”.

PURPOSES OF THE OFFERED BONDS

Plan of Refunding and Application of the 2015A Bond Proceeds

The 2015A Bonds are being issued for the purposes of (i) prepaying the principal of a portion of the outstanding Revolving Credit Loans with respect to certain Projects identified below, (ii) financing additional costs of certain of such Projects and costs of certain other Projects identified below, (iii) providing funds necessary for the refunding of certain outstanding Bonds described and defined below and (iv) funding costs of issuance of the 2015A Bonds. The accrued interest on such prepaid principal will be paid with other available funds.

The following table shows the Projects to be financed and refinanced with the proceeds of the 2015A Bonds and the principal amount (excluding projects financed or refinanced by the 2015A Refunded Bonds described below) of the 2015A Bonds for each Project:

<u>Institution</u>	<u>Project</u>	<u>Amount</u>
Austin Peay State University	Governors Stadium Renovation	\$ 9,500,000

The Bonds proposed to be refunded by the 2015A Bonds (the "2015A Refunded Bonds") consist of \$64,405,000 aggregate principal amount of Bonds of the respective series and with respective redemption dates and prices as set forth in the following table.

2015A Refunded Bonds *		
<u>Series</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2007C	5/1/2017	100.00%
2010B	5/1/2020	100.00%

The Authority may decide to refund less than all of the 2015A Refunded Bonds described above, and may also decide to include additional Bonds to be refunded by the 2015A Bonds and to constitute 2015A Refunded Bonds. The Bonds which will be the 2015A Refunded Bonds will be selected by the Authority at the time of pricing of the 2015A Bonds, which election will be based in part on market conditions at such time.

Plan of Refunding and Application of 2015B Bond Proceeds

The 2015B Bonds are being issued for the purposes of (i) providing funds necessary for the refunding of certain outstanding Bonds described below and (ii) funding costs of issuance of the 2015B Bonds.

The Bonds proposed to be refunded by the 2015B Bonds (the "2015B Refunded Bonds") consist of \$_____ aggregate principal amount of Bonds of the respective series and with respective redemption dates and prices as set forth in the following table.

2015B Refunded Bonds *		
<u>Series</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2007A	5/1/2017	100.00%
2008A	5/1/2016	100.00%
2008B	5/1/2018	100.00%
2009A	5/1/2019	100.00%
2010A	5/1/2018	100.00%

The Authority may decide to refund less than all of the 2015B Refunded Bonds described above, and may also decide to include additional Bonds to be refunded by the 2015B Bonds and to constitute 2015B Refunded Bonds. The Bonds which will be the 2015B Refunded Bonds will be selected by the Authority at the time of pricing of the 2015B Bonds, which election will be based in part on market conditions at such time.

Application of the 2015C Bond Proceeds

The 2015C Bonds are being issued for the purposes of (i) prepaying the principal of a portion of the outstanding Revolving Credit Loans with respect to certain Projects identified below, (ii) financing additional costs of certain of such Projects and costs of certain other Projects identified below, and (iii) funding costs of issuance of the 2015C Bonds. The accrued interest on such prepaid principal will be paid with other available funds.

*Preliminary; Subject to change

The following table shows the Projects to be financed and refinanced with the proceeds of the 2015C Bonds and the principal amount (excluding costs of issuance, original issue discount or premium, capitalized interest, and underwriters' discount) of the 2015C Bonds for each Project*:

<u>Institution</u>	<u>Project</u>	<u>Amount</u>
University of Tennessee, Knoxville	North & South Carrick Hall Improvements	\$ 2,132,793
University of Tennessee, Knoxville	Humes Hall Renovations	2,340,017
University of Tennessee, Chattanooga	Pedestrian Mall	2,600,000
Middle Tennessee State University	Parking & Transportation Improvements	8,300,000
University of Memphis	New Student Housing	51,000,000

The following table shows the Institution with Projects financed and refinanced by the 2015A Refunded Bonds described above and principal amount refunded by the 2015A Bonds:

<u>Institution</u>	<u>Principal Amount Refunded</u>
University of Tennessee	\$ 123,241,044
Tennessee Board of Regents	105,713,956
	<u><u>\$ 228,955,000</u></u>

Sources and Uses of Funds for the Offered Bonds

The sources and application of funds in connection with the issuance of the Offered Bonds are as follows:

	2015 Series A Bonds	2015 Series B Bonds	2015 Series C Bonds	Total
Sources of Funds:				
Par Amount of Bonds	\$	\$	\$	\$
Original Issue (Discount) Premium				
Excess Reserve Account				
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Uses of Funds:				
Project Construction Accounts (approx.)	\$	\$	\$	\$
Loan Prepayment (approx.)				
Deposits under Refunding Trust Agreements				
Underwriters' Discount				
Costs of Issuance				
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Refunding Trust Agreement and Verification

In conjunction with the delivery of each of the 2015A Bonds and 2015B Bonds, the Authority will enter into a separate Refunding Trust Agreement (each, a "Refunding Trust Agreement") with Regions Bank, Nashville, Tennessee, as Refunding Trustee. Under each Refunding Trust Agreement, proceeds of the 2015A Bonds or 2015B Bonds, as applicable, and other available moneys, if any, will be irrevocably deposited with the Refunding Trustee into a refunding trust fund thereunder and either be initially retained as cash or invested in non-callable direct obligations of the United States of America. The maturing principal of and interest on the non-callable direct obligations, and other moneys on deposit in such refunding trust fund, will be sufficient to pay (i) the interest on the 2015A Refunded Bonds or 2015B Refunded Bonds, as applicable, on each interest payment date to and including the respective redemption date and (ii) on the respective redemption date, the redemption price then due on the respective 2015A Refunded Bonds or 2015B Refunded Bonds, as applicable.

*Preliminary; Subject to change

Upon issuance of the 2015A Bonds and 2015B Bonds, the 2015A Refunded Bonds and 2015B Refunded Bonds will be irrevocably designated for redemption as described above, provision will be made in the Refunding Trust Agreements for the giving of notice of such redemption, and the 2015A Refunded Bonds and 2015B Refunded Bonds shall not be redeemed other than as described above.

Under the Resolution, by virtue of the provision for redemption described above, together with the irrevocable deposit and application of monies and securities as provided by the Refunding Trust Agreements and certain other provisions of the Refunding Trust Agreements and after the issuance of the 2015A Bonds and 2015B Bonds, the 2015A Refunded Bonds and 2015B Refunded Bonds will no longer be deemed to be outstanding under the Resolution.

The Authority will obtain verification of sufficiency of the refunding trust fund and certain yields from The Arbitrage Group, Inc. See "VERIFICATION AGENT".

DESCRIPTION OF THE OFFERED BONDS

General

The Offered Bonds will be dated the date of their delivery and will mature at the times and in the principal amounts as set forth on the inside cover page hereof. Interest on the Offered Bonds will be payable semi-annually on May 1 and November 1, commencing November 1, 2015. The Offered Bonds will be offered in authorized denominations of \$5,000 or integral multiples thereof.

Upon initial issuance, the Offered Bonds will be available only in book-entry form. The Depository Trust Company, New York, New York ("DTC") will act as initial securities depository for the Offered Bonds and the ownership of one fully registered bond for each maturity of the Offered Bonds in the aggregate principal amount of that maturity will be registered in the name of Cede & Co., as nominee of DTC, and deposited with DTC. Beneficial owners of Offered Bonds will not receive physical delivery of bond certificates except under limited circumstances. See Appendix F - "BOOK-ENTRY ONLY SYSTEM" for a description of DTC and its book-entry only system.

Fiduciaries

Regions Bank, Nashville, Tennessee, is the Trustee under the Resolution and the Paying Agent and Registrar for the Offered Bonds.

Redemption

Optional Redemption – 2015A Bonds. The 2015A Bonds maturing on or after November 1, ____ are subject to redemption prior to their stated maturities from any available moneys, at any time on and after November 1, ____ as a whole, or in part from time to time in any order of maturity determined by the Authority, at a Redemption Price equal to the principal amount of such 2015A Bonds or portions thereof to be redeemed, together with the interest accrued on such principal amount to the date fixed for redemption.

Prior to November 1, ____, the 2015A Bonds are subject to redemption prior to their stated maturities from any available moneys, at any time as a whole, or in part from time to time in any order of maturity as determined by the Authority, at a Redemption Price equal to the Make-Whole Redemption Price (as defined below).

The "Make-Whole Redemption Price" of any 2015A Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such 2015A Bonds or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2015A Bonds not including any portion of those payments of interest accrued and unpaid as of the date on which such 2015A Bonds are to be redeemed, discounted on a semiannual basis to the date on which such 2015A Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 20 basis points; plus, in each case, accrued and unpaid interest on such 2015A Bonds on such redemption date.

The "Treasury Rate" is, as of the redemption date of any 2015A Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) or, if such Statistical Release is no longer published, any source of similar market data) that has become publicly available at least two business days, but not more than 45 calendar days, prior to such redemption date (excluding inflation indexed securities) most nearly equal to the period from such redemption date to the maturity date of such 2015A Bonds to be redeemed; provided, however, that if the period from such redemption date to such maturity date is less than one year, the latest weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year that has become publicly available at least two business days, but not more than 45 calendar days, prior to such redemption date will be used.

The Make-Whole Redemption Price (and, if necessary, such substitute source of market data) will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority to calculate such redemption price (the "Calculation Agent"). The determination by the Calculation Agent of the redemption price will be conclusive and binding on the Authority, the Trustee, Paying Agent and Registrar, and the holders of the 2015A Bonds.

Optional Redemption – 2015B Bonds and 2015C Bonds. The 2015B Bonds and 2015C Bonds of each series maturing on or prior to November 1, ____, are not subject to redemption prior to maturity. The 2015B Bonds and 2015C Bonds maturing on or after November 1, ____, are subject to redemption prior to their stated maturities from any available moneys, at any time on and after November 1, ____ as a whole, or in part from time to time in any order of maturity determined by the Authority, at a Redemption Price equal to the principal amount of such 2015B Bonds and 2015C Bonds or portions thereof to be redeemed, together with the interest accrued on such principal amount to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The 2015A Bonds maturing on November 1 ____, are Term Bonds subject to redemption in part on November 1 in each of the years and in the respective principal amounts set forth below at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption, from Sinking Fund Installments which are required to be accumulated in the Debt Service Fund in amounts sufficient to redeem on November 1 of each year shown below the principal amount of such Offered Bonds specified for such year:

<u>Year</u>	<u>Principal Amount</u>
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The 2015B Bonds maturing on November 1, ____, are Term Bonds subject to redemption in part on November 1 in each of the years and in the respective principal amounts set forth below at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption, from Sinking Fund Installments which are required to be accumulated in the Debt Service Fund in amounts sufficient to redeem on November 1 of each year shown below the principal amount of such Offered Bonds specified for such year:

<u>Year</u>	<u>Principal Amount</u>
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The 2015C Bonds maturing on November 1, ____, are Term Bonds subject to redemption in part on November 1 in each of the years and in the respective principal amounts set forth below at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption, from Sinking Fund Installments which are required to be accumulated in the Debt Service Fund in amounts sufficient to redeem on November 1 of each year shown below the principal amount of such Offered Bonds specified for such year:

<u>Year</u>	<u>Principal Amount</u>
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Satisfaction of any Sinking Fund Installment for any Term Bonds also may be made in whole or in part by purchase or redemption of such Term Bonds at least 45 days prior to the due date of such Sinking Fund Installment.

Selection of 2015A Bonds to be Redeemed. If less than all of the 2015A Bonds of a maturity are to be redeemed, the 2015A Bonds of such maturity shall be redeemed pro rata as nearly as practicable in the proportion that the principal amount of the outstanding 2015A Bonds of such maturity owned by each registered owner bears to the aggregate principal amount of the outstanding 2015A Bonds of such maturity. For so long as a book-entry only system is in effect and DTC or a successor securities repository is the sole registered owner of the 2015A Bonds, in the event of a redemption of less than all of the 2015A Bonds of a maturity, the particular ownership interests of the 2015A Bonds of such maturity to be redeemed shall be selected by DTC and Direct DTC Participants and Indirect DTC Participants, or by any such successor repository or any other intermediary, in accordance with their respective operating rules and procedures. The Underwriters have advised the Authority that the 2015A Bonds will be made eligible for partial redemption to be treated by DTC in accordance with its rules and procedures, as a "pro rata pass-through distribution of principal". To the extent practicable, the Paying Agent will request that DTC select the amount of such interests of 2015A Bonds to be redeemed on a pro rata pass-through distribution of principal basis in integral multiples of \$5,000 in accordance with DTC procedures then in effect. The Authority can provide no assurance that DTC or its successor, Direct DTC Participants and Indirect DTC Participants, or any successor repository or any other intermediary will allocate the redemption of 2015A Bonds on such basis. If, at the time of redemption of the 2015A Bonds, either (i) the operational arrangements of DTC do not allow for the redemption of the 2015A Bonds on a pro rata pass-through distribution of principal basis, or (ii) the Paying Agent has failed to notify DTC that the 2015A Bonds to be redeemed are to be redeemed pursuant to DTC's pro rata pass-through distribution of principal procedures, or has failed to furnish to DTC the factor to be applied by it in determining the pro rata allocation of the principal to be redeemed, then in each such case the 2015A Bonds of such maturity to be redeemed may be selected in accordance with DTC operating rules and procedures, which currently provide for the redemption to be processed by random lottery. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or of any other intermediary, to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency or the validity of the redemption of 2015A Bonds.

Selection of 2015B Bonds or 2015C Bonds to be Redeemed. If less than all of the 2015B Bonds or 2015C Bonds of a series and maturity are to be redeemed, the particular 2015B Bonds or 2015C Bonds or portions thereof of such series and maturity to be redeemed shall be selected by the Registrar in any manner which it deems fair and appropriate. For so long as a book-entry only system is in effect with respect to the 2015B Bonds or 2015C Bonds and DTC or a successor securities repository is the sole registered owner of such 2015B Bonds or 2015C Bonds, in the event of a redemption of less than all of the 2015B Bonds or 2015C Bonds of a series and maturity, the particular ownership interests of the 2015B Bonds or 2015C Bonds of such maturity to be redeemed shall be selected by DTC and Direct DTC Participants and Indirect DTC Participants, or by any such successor securities depository or any other intermediary, in accordance with their respective operating rules and procedures. In the event of a partial redemption, DTC's rules and procedures currently provide for the redemption to be processed by random lottery. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or any other intermediary, to make such selection, or to make or fail to make any such selection in any particular manner, will not affect the sufficiency or the validity of the redemption of 2015B Bonds or 2015C Bonds. See Appendix F- "BOOK-ENTRY ONLY SYSTEM".

Notice of Redemption. Notice of redemption is to be mailed not less than 30 days prior to the redemption date, to the Owner of each Offered Bond to be redeemed at the address that appears on the registration books, but failure to receive any such notice shall not affect the validity of the redemption proceedings. Any notice of redemption may provide that such redemption is conditional on the availability of sufficient moneys to pay the Redemption Price, plus interest accrued and unpaid to the redemption date.

For so long as a book-entry only system is in effect with respect to the Offered Bonds, the Registrar will give notice of redemption to DTC or its nominee or its successor. See Appendix F- "BOOK-ENTRY ONLY SYSTEM". Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or any other intermediary, to notify a beneficial owner of an Offered Bond of any redemption will not affect the sufficiency or the validity of the redemption of such Offered Bond. Neither the Authority, nor the Trustee or Registrar, can give any assurance that DTC or its successor, the Direct DTC Participants or the Indirect DTC Participants, or any other intermediary, will distribute such redemption notices to the beneficial owners of the Offered Bonds, or that they will do so on a timely basis.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds, including the Offered Bonds, constitute special obligations of the Authority. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds shall be payable solely from the Annual Financing Charges, Legislative Appropriations and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution. The Annual Financing

Charges and Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, and all moneys and Investment Obligations credited to the Funds and Accounts established by the Resolution, are pledged for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds in accordance with the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. All covenants and agreements set forth in the Resolution to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of all of the Bonds, except as expressly provided in or permitted by the Resolution. **As permitted by the Resolution, the Offered Bonds will not be secured by or payable from the Debt Service Reserve Fund maintained for currently outstanding Bonds issued prior to 2012. The Authority has elected to establish a separate account in the Debt Service Reserve Fund solely for the Offered Bonds, with no current funding requirement. Accordingly, the Offered Bonds will not be secured by a funded debt service reserve. See "Debt Service Reserve Fund" below.**

The definition of "Institution" contained in the Act was amended by Chapter 174, Public Laws of 2013 and, the definitions of "Institution" contained in the Resolution and in the Financing Agreements with the Board of Regents and the Board of Trustees, respectively, relating to that definition, have been amended accordingly. These amendments apply to all of the Authority's currently outstanding Higher Educational Facilities Second Program Bonds as well as those to be issued (including the Offered Bonds). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Recent Amendments to the Act, the Resolution and the Financing Agreements", Appendix C - "GLOSSARY OF CERTAIN TERMS", Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS - Amendment", and Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Supplemental Resolution; Amendments" (clause (8) of the first paragraph).

THE OFFERED BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE SOURCES PROVIDED IN THE RESOLUTION AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, ANY POLITICAL SUBDIVISION OF THE STATE OR THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE OFFERED BONDS.

THE AUTHORITY HAS NO TAXING POWER.

Financing Agreements

The Authority and each Board have entered into a Financing Agreement. The Financing Agreements obligate the Authority to use its best efforts to finance Projects for the respective Boards under certain terms and conditions. The Financing Agreements also obligate the Boards to pay to the Authority Annual Financing Charges sufficient, among other things, to provide for the payment of debt service on the Bonds. Annual Financing Charges payable with respect to a Project are required to be paid by the Board only from Fees and Charges of the Institution. The Boards are required to establish and collect fees and charges at the Institution at a level sufficient to produce in each Fiscal Year not less than two times the amount required for the payment of, among other things, all Annual Financing Charges payable in such Fiscal Year with respect to all Projects for the Institution. The Annual Financing Charges required of the Institution also are payable, if necessary, from Legislative Appropriations for the operation and maintenance of the Institution. See "Legislative Appropriations" below.

For a discussion of the recent changes to the definition of the term "Institution", see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Recent Amendments to the Act, the Resolution and the Financing Agreements" below and Appendix C - "GLOSSARY OF CERTAIN TERMS".

Annual Financing Charges; Fees and Charges

The Financing Agreements require that as long as any Debt (including the Offered Bonds) remains outstanding for any Project, Annual Financing Charges shall be established and revised by the Authority from time to time in such amounts, payable at such times, as shall at all times be sufficient to enable the Authority to (i) pay the principal of and premium, if any, and interest on such Debt as and when the same become due and payable, (ii) pay or replenish reserves therefor as and when required by the Resolution, and (iii) make any other payments required to be made by or on behalf of the Authority under or pursuant to the Resolution.

The Boards are required by the Financing Agreements to pay to the Authority all Annual Financing Charges in such amounts, at such times, in such manner and at such places as shall be specified in writing from time to time by the Authority. It is the current policy of the Authority that the Boards make payments to the Authority at least 5 days prior to their respective due dates. This policy may be changed by the Authority in a manner consistent with the immediately preceding sentence and paragraph. Under the Financing Agreements, the obligation of the Boards to pay Annual Financing Charges is absolute and unconditional, and Annual Financing Charges are required to be paid in full without set-off or counterclaim.

The Boards covenant and agree in the Financing Agreements to establish and collect Fees and Charges at each Institution at a level sufficient to produce in each Fiscal Year no less than two times the amount required for the payment of the aggregate (without duplication) of (i) all Annual Financing Charges in such Fiscal Year payable with respect to all Projects for the Institution, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges in such Fiscal Year with respect to the Institution.

Annual Financing Charges payable with respect to a Project (including debt service on the portion of the Bonds issued for that Project) are required under the Financing Agreements to be paid by the Boards, as and when the same become due, only from Fees and Charges of the Institution. "Fees and Charges" means all revenues, fees, rentals and other charges received by or on behalf of an Institution which are available to pay Annual Financing Charges. See "Appendix B – TSSBA SELECTED STATISTICAL INFORMATION" for a description of the Institutions for which Projects are being financed with the proceeds of the Offered Bonds and for detail regarding each Institution's historical statement of collection of Fees and Charges, as well as the debt service on Bonds attributable to such Institution.

For a discussion of recent changes to the definition of the term "Institution", see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recent Amendments to the Act, the Resolution and the Financing Agreements" below and Appendix C – "GLOSSARY OF CERTAIN TERMS".

Each Institution's total Fees and Charges and Legislative Appropriations (see "Legislative Appropriations" below) may be used to pay costs of operating and maintaining such Institution as well as the Annual Financing Charges. Each Board may pledge, assign or otherwise use or encumber any Fees and Charges relating to an Institution to obligations of the Institution or of the Board in addition to the Bonds if the aggregate of the Fees and Charges collected by the Institution in the preceding Fiscal Year is no less than two times the amount required for the payment of the aggregate (without duplication) of (i) the maximum amount of the Annual Financing Charges payable and projected to be payable with respect to all Projects for the Institution in any succeeding Fiscal Year, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges with respect to the Institution in any succeeding Fiscal Year.

The Financing Agreements also require that, in addition to Annual Financing Charges, the Authority may establish and revise from time to time, and the Boards shall apply Fees and Charges from their respective Institutions to pay fees ("Administrative Fees") to compensate the Authority for costs relating to (i) the issuance and payment of Debt and (ii) the administration of the Financing Agreements and the Resolution.

Legislative Appropriations

In accordance with the Act, the Financing Agreements provide that if any Annual Financing Charges or Administrative Fees shall not be paid by a Board when due and payable with respect to a Project, or if the Board shall notify the Authority of any inability to make such payment from Fees and Charges, then the Board shall deduct from the amounts appropriated by the General Assembly of the State of Tennessee for the operation and maintenance of the respective Institution and pay to the Authority such amount or amounts as may be required to make the Board current with respect to the unpaid Annual Financing Charges and Administrative Fees. The Boards also agree in the Financing Agreements that the Commissioner of Finance and Administration, or his successor, after notice from the Authority that the respective Board has failed to pay Annual Financing Charges or Administrative Fees due and payable with respect to a Project, shall, to the extent permitted by law, deduct from the amounts appropriated by the General Assembly of the State of Tennessee for the operation and maintenance of the respective Institution the amount or amounts as may be required to make the Board current with respect to the unpaid Annual Financing Charges and Administrative Fees. It has not been necessary, to date, to utilize this procedure.

For a discussion of recent changes to the definition of the term "Institution", see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recent Amendments to the Act, the Resolution and the Financing Agreements" below and Appendix C – "GLOSSARY OF CERTAIN TERMS".

A significant source of funding for the State's public institutions of higher education has been and continues to be annual appropriations made by the General Assembly of the State. See "Statement of Fees/Charges, Legislative Appropriations and Debt Service for the Last Ten Years" in Appendix B and "TENNESSEE PUBLIC HIGHER EDUCATION." However, the General Assembly is under no obligation to continue to make appropriations for the operation and maintenance of any Institution or of the Institutions generally, or to do so in any particular amount. See, however, "Additional Bonds" and "Statutory Covenant" below. The State of Tennessee is not liable on the Bonds and the Bonds are not a debt of the State of Tennessee.

Under the State Constitution, public money may be expended only pursuant to an appropriation made by law. Such expenditures include, but are not limited to, funding any judgment in the Tennessee Claims Commission as discussed below under "- Certain State Law Bondowner Remedies". The General Assembly in 2001 confirmed that the earnings, revenues, and assets of the Authority are continuously appropriated for expenditures authorized by or pursuant to the Act, which

includes debt service on Second Program Bonds and Revolving Credit Loans. That legislation also confirmed that the earnings, revenues or other assets of any public higher education entity whose contracts or agreements support the payment of the Authority's debt service are continuously appropriated for expenditures in accordance with or pursuant to such contracts or agreements which include the Financing Agreements. The Authority can provide no assurance as to the continuation of these continuing appropriations.

Statutory Covenant

In accordance with the provisions of the Act, the Authority, on behalf of the State, in the Resolution pledges to and agrees with the Owners of the Bonds that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bond Owners, or in any way impair the rights and remedies of such Owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Owners, are fully met and discharged.

Flow of Funds

All Annual Financing Charges and Legislative Appropriations held or collected by the Authority are required by the Resolution to be deposited to the General Fund established under the Resolution, which shall be held by the State Treasurer or, at the direction of the State Treasurer, a separate custodian. However, in lieu of such deposit, the Authority may direct and cause any Board to transmit directly to the Trustee any amount of Annual Financing Charges and Legislative Appropriations payable by such Board that is required to be transferred by the Authority to the Trustee in the amounts and by the times required for purposes of the Debt Service Fund or Debt Service Reserve Fund.

All moneys credited to the General Fund shall be applied by the Authority in the following manner and order:

First, the Authority shall transfer to the Debt Service Fund such sums as are required to be deposited therein under the Resolution after giving effect to any such direct deposit; and

Second, the Authority shall transfer to the Debt Service Reserve Fund such sums as are required to be deposited therein pursuant to the Resolution after giving effect to any such direct deposit; provided, however, that no transfer shall be required prior to the date required, notwithstanding that as a result, lower priority transfers (described in the following paragraph) may be made at any time prior to higher priority transfers that could be but are not required to be made at the same time.

Any moneys credited to the General Fund in any month and not applied in such month, or required or otherwise expected to be applied thereafter in such month or in the next succeeding month, may be used for any lawful purpose of the Authority including, but not limited to, the payment of the principal of and premium, if any, and interest on Subordinated Obligations, the establishment of reserves for such payment, the payment or reimbursement of Administrative Expenses of the Authority, or the purchase or redemption of Bonds or Subordinated Obligations.

The Debt Service Fund shall be held by the Trustee or at the option of the Authority, unless there shall exist an Event of Default, by the State Treasurer or, at the direction of the State Treasurer, a separate custodian; it is currently being held by the Trustee. Moneys credited to the Debt Service Fund shall be deposited in the following amounts and order of priority, except that deposits from excess Construction Fund moneys shall be applied as directed by the Authority:

First, at least one Business Day prior to each interest payment date, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the interest becoming due on the Outstanding Bonds on such interest payment date;

Second, at least one Business Day prior to each principal payment date, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the principal amount of Bonds (including the principal amount of any Put Bonds tendered for payment by the Authority and not purchased in lieu of redemption prior to the redemption date thereof) of the Outstanding Serial Bonds becoming due on such principal payment date; and

Third, at least one Business Day prior to each Sinking Fund Payment Date for the Term Bonds, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the Sinking Fund Installments becoming due upon the redemption of such Term Bonds on such Sinking Fund Payment Date.

Debt Service Reserve Fund

General

The Resolution establishes a Debt Service Reserve Fund for the payment of all Series of Bonds, with a separate Debt Service Reserve Account therein for each Project financed, as described below. The Resolution also permits the Authority to establish a separate account in the Debt Service Reserve Fund to be applied solely to the payment of a particular Series of Bonds and to establish the requirements for that separate account; however, there is no requirement that such separate account in the

Debt Service Reserve Fund be funded. Such separate account, if funded, would secure only the Series of Bonds for which it was created and the related Series of Bonds would not have access to any other accounts in the Debt Service Reserve Fund. The Debt Service Reserve Fund shall be held by the Trustee or, at the option of the Authority, unless there shall exist an Event of Default, by the State Treasurer or, at the direction of the State Treasurer, a separate custodian. It is currently being held by the Trustee.

No Debt Service Reserve For the Offered Bonds and Certain Other Bonds

The Authority has elected to establish a separate account in the Debt Service Reserve Fund solely for the Offered Bonds, with no current funding requirement. Accordingly, the Offered Bonds do not have a funded debt service reserve account. Specifically, the Offered Bonds shall have no claim or lien on, nor shall any Offered Bonds be payable from, any accounts in the Debt Service Reserve Fund, except from the separate account established for the Offered Bonds to the extent that such account may be funded in the future, although the Authority is under no obligation to fund the accounts and has no present intent to provide such funding. The Authority's Higher Educational Facilities Second Program Bonds issued in 2012 and thereafter to date similarly have no funded debt service reserve accounts and requirements and the provisions of the preceding sentence apply to them as well. In addition, the Offered Bonds and the Bonds issued in 2012 and thereafter to date are excluded from the calculation of the Debt Service Reserve Requirement for all Series of Bonds that are secured by accounts in the Debt Service Reserve Fund as described in "*Debt Service Reserve Fund For Bonds Issued Prior to 2012*" below. As permitted by the Resolution, the Authority reserves the right to issue additional Series of Bonds (i) secured solely by their respective related separate accounts in the Debt Service Reserve Fund, and further to elect whether to fund such separate accounts, or (ii) secured by accounts in the Debt Service Reserve Fund as described below in "*Debt Service Reserve Fund For Bonds Issued Prior to 2012*."

Debt Service Reserve Fund For Bonds Issued Prior to 2012

The remainder of this section describes the Debt Service Reserve Fund as it applies to all currently outstanding Bonds issued prior to 2012 and to any additional Series of Bonds for which the Authority elects not to establish a separate account in the Debt Service Fund that is applicable only to such Series. ***The following description does not apply to the Offered Bonds.***

Within the Debt Service Reserve Fund there shall be established a separate Debt Service Reserve Account for each of the Projects. At the time of or prior to the delivery of each Series of Bonds, the Authority shall pay into each Debt Service Reserve Account from the proceeds of the sale of Bonds issued with respect to the Project to which such Debt Service Reserve Account relates, or from any other available source, a sum of money equal to the Debt Service Reserve Requirement with respect to the Bonds issued for such Project. In the event that moneys on deposit in a Debt Service Reserve Account are transferred to the Debt Service Fund as described below, then, within five months of the date of such transfer, the Authority shall deposit or cause to be deposited into such Debt Service Reserve Account moneys sufficient to cause the amount of moneys and value of Investment Obligations then on deposit in such Debt Service Reserve Account to be equal to the Debt Service Reserve Requirement applicable thereto.

"Debt Service Reserve Requirement" means, with respect to each Series of Bonds, as of any date of calculation, (i) an amount equal to the aggregate of the greatest amount of Debt Service on all Outstanding Bonds of such Series issued for each Project (calculated separately for each Project and then aggregated) payable on any interest or Principal Installment date thereafter (except that for the first such date after the date of issuance of such Bonds, interest to accrue for greater than 6 months but less than 12 months shall not be taken into account), or (ii) such greater amount, which subsequently may be reduced to an amount not less than the amount required by clause (i) above, as may be determined from time to time by the Authority by Supplemental Resolution; provided, however, that as a result of the issuance of any Series of Bonds the interest on which is generally excluded from gross income for Federal income tax purposes, the Debt Service Reserve Requirement with respect to such Series shall at no time exceed the lesser of (i) the amount that may be funded from the proceeds of such Bonds or (ii) the amount that constitutes a reasonably required reserve with respect to such Bonds. Each determination by the Authority of the Debt Service Reserve Requirement shall be conclusive. See the definition of this term in Appendix C for definitions of other defined terms used above. The Offered Bonds, the 2014 Bonds, the 2013 Bonds and the 2012 Bonds are excluded from the calculation of the Debt Service Reserve Requirement.

Moneys credited to a Debt Service Reserve Account shall be used, except as hereinafter described, solely for the payment of the principal and Sinking Fund Installments, if any, of and interest on the Bonds issued with respect to the Project to which such Account relates as the same become due and payable and with respect to which there are insufficient moneys available in the Debt Service Fund. If there are insufficient moneys for such purpose in the Debt Service Reserve Account with respect to the Project to which such Account relates, then moneys and Investment Obligations on deposit in or credited to the Debt Service Reserve Accounts which relate to other Projects of the Institution for which such Project was undertaken shall be applied on a pro rata basis (based on Debt Service Reserve Requirements) to cure such deficiency. If after making such application a deficiency still exists in the Debt Service Reserve Account with respect to a particular Project, then moneys and Investment Obligations on deposit in or credited to the Debt Service Reserve Accounts for all Projects undertaken for all Institutions under the supervision of the other Board may be applied on a pro rata basis (based on Debt Service Reserve Requirements) to cure such deficiency. Moneys applied pursuant to the previous two sentences

shall be restored to the respective Accounts from which they were obtained in the inverse order from which they were withdrawn and such Accounts are to be restored to the Debt Service Reserve Requirement therefor before moneys are credited to the Debt Service Reserve Account related to the Project for which there were insufficient moneys available in the Debt Service Fund.

Any amounts in a Debt Service Reserve Account at the end of any Bond Year in excess of the Debt Service Reserve Requirement with respect to the Bonds issued for a Project to which such Account relates shall be withdrawn from such Account and transferred to the Debt Service Fund and applied to the payment of the principal and Sinking Fund Installments of and interest on the Bonds relating to such Project, unless otherwise directed by the Authority.

If the Authority determines at any time that the moneys and value of Investment Obligations credited to any Debt Service Reserve Account are in excess of the Debt Service Reserve Requirement for the Bonds issued for the related Project, the Authority may transfer or, if applicable, direct the Trustee to transfer such excess to the Debt Service Fund and apply such excess to the payment of the principal and Sinking Fund Installments of and interest on Bonds relating to such Project.

In the event of the refunding of any Bonds, the Authority may withdraw from the Debt Service Reserve Fund all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with a Paying Agent to be held for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on the Bonds being refunded or apply such amounts to pay the costs of issuance of the Refunding Bonds, or, if not so applied, such amounts shall be applied in the same manner as provided for excess amounts in the Debt Service Reserve Fund; provided, however, that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, (ii) the amount and value of Investment Obligations remaining in such Debt Service Reserve Account shall not be less than the Debt Service Reserve Requirement for the Bonds issued for the related Project, and (iii) at the time of such withdrawal, there shall exist no deficiency in the Debt Service Fund.

In lieu of cash or Investment Obligations, the Authority may satisfy the Debt Service Reserve Requirement in part or in whole by maintaining a Reserve Fund Credit Facility from a provider whose long term obligations or claims paying ability are rated, at the time of acceptance by the Authority, by each rating agency then rating outstanding Bonds, no lower than the same rating category (taking into account refinements and gradations) as the Bonds are then rated by such rating agency. If a disbursement is made pursuant to a Reserve Fund Credit Facility, the Authority shall within 12 months either (i) reinstate the maximum limits of such Reserve Fund Credit Facility or (ii) deposit into the Debt Service Reserve Fund funds in the amount of the disbursement made under such Reserve Fund Credit Facility, or a combination of such alternatives, so that the amount of moneys and value of Investment Obligations and/or Reserve Fund Credit Facility in each Debt Service Reserve Account equals the Debt Service Reserve Requirement for the Bonds issued for the related Project. If a Debt Service Reserve Account is funded with any combination of moneys, Investment Obligations and/or one or more Reserve Fund Credit Facilities, then any withdrawal to satisfy a deficiency in the Debt Service Fund shall be made from such (i) moneys or Investment Obligations and (ii) Reserve Fund Credit Facilities (and among such Reserve Fund Credit Facilities) on a pro rata basis, except or unless otherwise required or permitted by the provider or providers of such Reserve Fund Credit Facilities.

The Debt Service Reserve Fund Requirements with respect to the Bonds issued prior to the Higher Educational Facilities Second Program Bonds, 2008 Series B, were satisfied by the deposit of Reserve Fund Credit Facilities to the Debt Service Reserve Fund. As of January 31, 2015 (unaudited), there was on deposit in the Debt Service Reserve Fund cash funded reserves in the aggregate amount at least equal to the Debt Service Reserve Fund requirement of \$32,499,774 and Reserve Fund Credit Facilities issued by MBIA Insurance Corporation in the aggregate amount of \$11,386,159 and by Financial Security Assurance Inc., now Assured Guaranty Municipal Corp., in the aggregate amount of \$17,670,485. On or around February 18, 2009, all obligations of MBIA Insurance Corporation with regard to bonds issued by the Authority were transferred to MBIA Insurance Corp. of Illinois (which itself was subsequently renamed National Public Finance Guarantee Corporation). These Reserve Fund Credit Facilities terminate on the final maturity or earlier retirement date of the related Bonds.

Additional Bonds

Additional Bonds may be issued under the Resolution from time to time in Series, including refunding Outstanding Bonds, but only upon, among other things:

1. Receipt by the Trustee and the Registrar of a Counsel's Opinion to the effect that (i) the Authority has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution (with such approvals as may be required by the Act as so amended), the Resolution has been duly and lawfully adopted by the Authority (and such approvals given), is in full force and effect and is valid and binding upon the Authority; (ii) the Resolution creates the valid pledge which it purports to create of the Annual Financing Charges,

Legislative Appropriations, and all rights under the Agreements or otherwise to receive the same, moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; and (iii) the Bonds of such Series are valid and binding obligations of the Authority as provided in the Resolution, entitled to the benefits of the Resolution and of the Act as amended to the date of such Counsel's Opinion, and such Bonds have been duly and validly authorized and issued in accordance with the law, including the Act as amended to the date of such Counsel's Opinion, and in accordance with the Resolution.

2. Receipt by the Trustee and the Registrar of a certificate of the Authority stating that:
 - (a) the principal amount of the Bonds then to be issued, together with the principal amount of the Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;
 - (b) the Authority is not in default in the performance of any other covenants, conditions, agreements or provisions contained in the Resolution, including but not limited to that there is no deficiency in the amounts required by the Resolution to be paid into the Debt Service Fund except, in the case of Refunding Bonds, if, upon the application of the proceeds of such Bonds or upon the issuance and delivery of such Bonds, all such defaults shall be cured;
 - (c) the amount on deposit in the Debt Service Reserve Fund, upon the issuance and delivery of any such Series of Bonds, shall not be less than the Debt Service Reserve Requirement;
 - (d) the Financing Agreements obligate the Boards to pay, in the aggregate, Annual Financing Charges with respect to Projects for which Bonds have been issued and the additional Bonds being issued sufficient in amount, together with capitalized interest, to pay as the same shall become due the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, of and interest on the Bonds then Outstanding and the additional Bonds being issued; and
 - (e) the provisions of the Act authorizing the Boards to deduct from amounts appropriated by the General Assembly of the State for the operation and maintenance of the Institution for which each Project is undertaken and pay to the Authority such amount or amounts as may be required to make up any deficiencies in the Fees and Charges and other moneys available for the purpose of paying Annual Financing Charges due the Authority have not been repealed or amended to the detriment of Bondowners.

Additional Bonds are required to be authorized by Supplemental Resolution, which may delegate to authorized officers the power to determine, supplement, modify or amend specified details of such Bonds by means of a Series Certificate, which shall be filed with the Trustee and deemed for all purposes of the Resolution to have been adopted by the Authority and to be a part of the Supplemental Resolution to which it relates.

Additional Bonds may take the form of and have features incident to, among other things, Capital Appreciation Bonds, Variable Interest Rate Bonds, or Put Bonds, and in connection with the issuance of any Bonds the Authority may enter into Credit Facilities and Qualified Swaps. For a description of certain related provisions that may be included in Supplemental Resolutions, see Appendix E "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Certain Provisions Relating to Credit Facilities, Qualified Swaps and Other Arrangements".

Qualified Swaps

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps relating to such Bonds. The Authority's obligation to make any payment under any Qualified Swap may be secured by a pledge of, and a lien on, the items pledged in the Resolution for the security of the Bonds on a parity with the lien created by the Resolution or be payable from or secured by amounts on deposit in the Debt Service Fund or Debt Service Reserve Fund, or shall constitute Subordinated Obligations payable from the General Fund, as determined by the Authority; provided, however, that any optional or mandatory termination payments shall constitute Subordinated Obligations. If a Qualified Swap is payable from and/or secured by the Debt Service Fund and Debt Service Reserve Fund, the Authority may provide by Supplemental Resolution for a recalculation of the Debt Service Reserve Requirement for any Bonds to take into account the Authority's debt service payment obligations on such Bonds as affected by such Qualified Swap. The Authority has not entered into any Qualified Swaps and has no current plans to do so.

Subordinated Obligations; Revolving Credit Loans

Revolving Credit Loans under the Revolving Credit Agreement constitute Subordinated Obligations under the Resolution. The Revolving Credit Agreement replaces the Authority's Commercial Paper program, which has been terminated.

The Revolving Credit Agreement permits loans thereunder (the Revolving Credit Loans) from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed \$300,000,000 to fund Project Costs and certain other limited purposes. Generally, the Revolving Credit Agreement is intended to provide interim financing in anticipation of the issuance of Bonds, although in some cases the Authority may retire loans from other available sources. The commitment of the Banks under the Revolving Credit Agreement to fund Revolving Credit Loans expires March 20, 2017, unless that period is extended pursuant to the terms of the Revolving Credit Agreement (the "Commitment Expiration Date"). Revolving Credit Loans outstanding on the Commitment Expiration Date may be converted to term loans amortizing, in approximately equal principal installments, over a period ending with the earliest to occur of (i) the third anniversary of the conversion, (ii) the date other debt is issued to repay the term loans, and (iii) with respect to any loan that has been converted to a term loan, the eighth anniversary of the original loan. Revolving Credit Loans prior to conversion to term loans bear interest at 70% of one-month LIBOR, plus a ratings-based spread, for tax-exempt loans, and at one-month LIBOR plus a ratings-based spread for taxable loans. Term loans initially bear interest at a rate equal to the greatest of (i) the Administrative Agent's prime rate plus 1%, (ii) the Federal Funds Rate plus 2% and (iii) 7%, for the first 180 days outstanding, and thereafter at such rate plus 1% (the "Base Rate"). If the Authority's long-term unenhanced Bond rating is reduced below the A-level, or in the event of an event of default, interest is payable at the Base Rate plus 3%. Interest on the loans is payable monthly. The banks under the Revolving Credit Agreement have several available remedies upon an event of default, including acceleration of loans.

On January 31, 2015, Revolving Credit Loans were outstanding in the aggregate principal amount of \$135,651,375 (unaudited), which includes \$8,079,270 not yet allocated to Institutions. Of the outstanding Revolving Credit Loans, \$_____ will be prepaid by the 2015A Bonds and 2015C Bonds on or about _____, 2015.

Certain State Law Bondowner Remedies

The State has waived the Authority's immunity from suit and extended its consent to be sued for actions on the Bonds, but has not done so for other contractual obligations of either the Authority or the Boards, including the Financing Agreements. Current State law provides that monetary claims against the State (including, for this purpose, the Authority and the Boards) for breach of its contractual obligations and certain other causes where sovereign immunity has been waived may be heard and determined exclusively in the forum of the Tennessee Claims Commission, an administrative tribunal, where the Authority or the Boards may be liable only for actual damages and certain costs.

Under the State Constitution, public moneys may be expended only pursuant to an appropriation made by law. Sovereign immunity or other legal principles may bar actions to compel the General Assembly to appropriate moneys or to compel the payment of appropriated moneys.

For a description of remedies available to Bondowners under the Resolution, see Appendix E – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Remedies."

Termination of Existence

The Governmental Entity Review Law provides for the termination of various governmental entities on specified dates, which in the case of the Authority is June 30, 2022, and in the case of the Board of Regents and the Board of Trustees, is June 30, 2018. The law also provides that if the General Assembly does not extend the termination date of an entity, the existence of the entity will continue for an additional year without any diminution, reduction or limitation of its powers. However, the State is required to preserve the rights of the holders of any outstanding indebtedness of the entity at the time of termination and the obligations and rights of such entity shall accrue to the State.

2013 Amendments to the Act, the Resolution and the Financing Agreements

Legislation was enacted by the General Assembly of the State at its 2013 session and signed into law by the Governor (Chapter 174, Public Laws of 2013) to amend the definition of "Institution" in the Act from "the University of Tennessee, including all of its branches and divisions wherever located, and each constituent institution of the state university and community college system described in § 49-8-101(a). Each constituent institution of the state university and community college system, whether or not it confers degrees, shall be deemed an institution of higher education for purposes of this part;" to "(i) the University of Tennessee system, including all of its branches and divisions wherever located, and the services, programs and activities provided therein, and the board of trustees of the University of Tennessee, in the aggregate, and (ii) the state university and community college system, including all of its constituent institutions, wherever located (whether or not conferring degrees), and the services, programs and activities provided therein, and the Board of Regents of the state university and community college system, in the aggregate;". This has the effect of the State University and Community College System being treated for purposes of the Act as a collective entity in the same way the University of Tennessee system previously was, and will continue to be, treated.

The definitions of "Institution" contained in the Resolution and in the Financing Agreement and other provisions of the Financing Agreement with the Board of Regents relating to that definition were amended accordingly, as permitted thereby, on May 9, 2013. See Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING

AGREEMENTS – Amendment” and Appendix E – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Supplemental Resolution; Amendments” (clause (8) of the first paragraph).

The amendments described above apply to all of the Authority’s currently outstanding Higher Educational Facilities Second Program Bonds as well as those to be issued (including the Offered Bonds). One principal effect of the amendments is to allow the Board of Regents to satisfy its obligation to pay Annual Financing Charges to the Authority with respect to all Projects from the Fees and Charges imposed by all of its constituent institutions, in the aggregate, instead of on an institution-by-institution basis as was previously the case. Another is that the deductions and payments to the Authority from Legislative Appropriations for non-payment by the Board of Regents of Annual Financing Charges or Administrative Fees with respect to a Project could be made from appropriations made by the General Assembly of the State for the operation and maintenance of all of the constituent institutions of the State University and Community College System, as was previously, and will continue to be, the case with respect to the University of Tennessee system, and not just from the appropriations for the operation and maintenance of the particular institution for which such Project was undertaken or used. Similarly, amounts appropriated for certain other services, programs and activities of both the Board of Regents and the Board of Trustees, and for the two Boards themselves, may be deducted and paid to the Authority in the event of non-payment under the respective Financing Agreements. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Legislative Appropriations”. The amendments to the Financing Agreements also are expected to affect the eligibility of Projects for financing by the Authority as described in Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS – Approval of Projects and Project Costs”.

Included in “Coverage of Annual Financing Charges and Administrative Fees for the Long-Term Debt Secured By Financing Agreements – College and University Funds – For the Last Ten Years” in Appendix B is a calculation of coverage consistent with the amendments described above.

THE AUTHORITY

The Authority, created in 1965 under the Act, is a corporate governmental agency and instrumentality of the State of Tennessee. In addition to its authority to issue bonds and notes to finance Projects, the Authority in 1980 was empowered by the General Assembly of the State of Tennessee to issue bonds or notes to provide funds for the making of student loans by the Tennessee Student Assistance Corporation. The principal amounts of such bonds or notes issued may not exceed \$5,000,000 and must be secured separate and apart from any bonds or notes of the Authority issued to provide funds to finance Projects. As of the date of this Official Statement, no bonds or notes have been issued for the making of student loans.

In 1999, the General Assembly empowered the Authority to issue Qualified Zone Academy Bonds (“QZABs”). QZABs are issued under the provisions of the Authority’s Qualified Zone Academy Bonds First Program Resolution, are not supported by either the First Program or Second Program Financing Agreements, and are not secured by either the First Program or Second Program General Bond Resolution. QZABs are part of a Federal government program in which, generally, a Federal income tax credit is given to investors in lieu of the payment of interest on the bonds.

Under the QZAB program, loans with local governments are direct general obligations of the local government for the payment of which as to principal, the full faith and credit of the local government are pledged. As additional security for the loans, there is also pledged the borrower’s unobligated portions of State taxes that are by statute to be shared with the local governments (“Unobligated State-Shared Taxes”). Each borrower’s annual loan repayments are deposited into sinking fund accounts invested with the State Treasurer and, together with interest thereon, are held to be applied to the payment of principal of the QZABs at maturity or upon redemption. As of January 31, 2015, the total par of QZABs outstanding was \$43,920,000 (unaudited), and the fund balance of pledged sinking fund accounts totaled \$ _____ (unaudited).

The Authority is also authorized to issue qualified school construction bonds (“QSCBs”), as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”). QSCBs are issued under the provisions of the Authority’s Qualified School Construction Bonds General Bond Resolution, which was adopted by the Authority on November 5, 2009, as supplemented (the “QSCB Resolution”), are not supported by either the First Program or Second Program Financing Agreements, and are not secured by either the First Program or Second Program General Bond Resolution. The proceeds of QSCBs are lent to cities, counties and metropolitan governments in the State for construction, renovation and equipment of public school facilities. Under the QSCB program, each borrower executes a loan agreement pursuant to which it agrees to pay the principal of and interest on its loan and pledges to such payments its full faith and credit and unlimited taxing power and its Unobligated State-Shared Taxes in the event of non-payment by such borrower. For certain of the QSCBs, a Federal income tax credit is given to bondholders in lieu of the payment of interest on bonds, and in certain other QSCBs an election is made by the Authority to receive direct interest subsidy payments from the United States Treasury, which, if not needed to cure defaults under loan agreements with the borrowers, are transferred to them. As of January 31, 2015, the

total par amount of QSCBs outstanding was \$389,440,000 (unaudited), and the fund balance of pledged sinking fund accounts totaled \$_____ (unaudited).

The Authority is also required to approve any borrowings consummated by the Board of Trustees, by the Board of Regents or by any of the Institutions, whether such borrowings are made through the Authority or independently.

Membership of the Authority

The powers of the Authority, as defined in the Act, are vested in and exercised by its members who consist of the Governor, the Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of Finance and Administration, the Chancellor of the Board of Regents and the President of The University of Tennessee. The Governor serves as Chairman of the Authority, and the Comptroller of the Treasury serves as the Secretary.

The Comptroller of the Treasury, the Secretary of State and the State Treasurer are the Constitutional Officers of the State and are elected from time to time by the General Assembly. The Commissioner of Finance and Administration serves at the pleasure of the Governor. The Chancellor of the Board of Regents and the President of The University of Tennessee serve at the pleasure of their respective Boards.

Outstanding Indebtedness of the Authority

As of January 31, 2015 (unaudited), the Authority will have issued, and there will be outstanding under the Resolution, Bonds (including the Offered Bonds but excluding the Refunded Bonds) as follows:

Higher Educational Facilities Second Program Bonds	Principal Outstanding (Unaudited)
2005 Refunding Series A	\$ 8,765,000
2005 Refunding Series B (Federally Taxable)	2,360,000
2007 Series A	6,310,000
2007 Series B (Federally Taxable)	1,940,000
2007 Refunding Series C	83,365,000
2008 Series A	14,515,000
2008 Series B	39,200,000
2009 Series A	48,565,000
2010 Series A	182,455,000
2010 Series B	16,335,000
2012 Series A	200,305,000
2012 Series B	99,680,000
2012 Series C	106,515,000
2013 Series A	145,365,000
2014 Series A	132,450,000
2014 Series B	<u>212,200,000</u>
Total Outstanding Second Program Bonds	<u>\$ 1,300,325,000</u>

There also are outstanding Revolving Credit Loans as described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Revolving Credit Loans".

The Authority continually monitors its debt structure and capital requirements, and depending on such requirements, financial market conditions and other factors, may issue additional bonds or notes and may refund (whether or not for savings) any of its outstanding bonds and notes. For additional financial information concerning the Authority, see Appendix A hereto.

TENNESSEE PUBLIC HIGHER EDUCATION

General

Public higher education in Tennessee is coordinated by the Tennessee Higher Education Commission (the "Commission") and consists of two systems: The University of Tennessee campuses governed by the Board of Trustees; and the state universities, community colleges, technical institutes and state technology centers governed by the Tennessee Board of Regents.

The Commission consists of the three Constitutional Officers (Comptroller of the Treasury, Secretary of State, State Treasurer), nine lay members with six year terms appointed by the Governor, and two student members appointed for two year terms (one from The University of Tennessee system and one from the Board of Regents system; one voting each year). It develops a statewide Master Plan used in making policy recommendations concerning such matters as the need for existing degree programs, the development of new degree programs, and the review of tuition and fees. The Commission is charged with conducting annual reviews and licensing non-accredited, degree-offering postsecondary educational institutions; has the responsibility for studying the use of public funds appropriated for higher education; and recommends the appropriation of state funds for public higher education institutions.

The Boards are governing bodies for all public higher education in Tennessee. They have entered into Second Program Financing Agreements, by which the Authority provides funding for Projects. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS”.

The Board of Regents was created by the General Assembly in 1972 to govern the State University and Community College System, which currently includes 6 universities, 13 community colleges, and 27 state technology centers. Institutions governed by the Board of Regents are: Austin Peay State University, East Tennessee State University, Middle Tennessee State University, Tennessee State University, Tennessee Technological University, University of Memphis, Chattanooga State Community College, Cleveland State Community College, Columbia State Community College, Dyersburg State Community College, Jackson State Community College, Motlow State Community College, Nashville State Community College, Northeast State Community College, Pellissippi State Community College, Roane State Community College, Southwest Tennessee Community College, Volunteer State Community College, and Walters State Community College, and together with the Board of Regents constitute a single “Institution” under the Act and the Tennessee Board of Regents’ Second Program Financing Agreement.

The University of Tennessee was founded in 1794 as Blount College. The University was designated in 1869 as the Federal land-grant institution in Tennessee. The Board of Trustees is the governing body of The University of Tennessee. The University has four campuses (at Knoxville, Martin, Memphis, and Chattanooga), with 33 colleges, schools, and divisions, and together with the Board of Trustees constitute a single “Institution” under the Act and the Board of Trustees’ Second Program Financing Agreement.

For a definition of the term “Institution” and recent changes to that definition, see Appendix C – “GLOSSARY OF CERTAIN TERMS” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recent Amendments to the Act, the Resolution and the Financing Agreements” above.

For statements of outstanding debt by Institution, debt service coverage, fees and charges, appropriations and debt service by Institution, and certain other statistical information, see Appendix B hereto.

Capital Projects

Capital projects that have been approved by the Authority (see “REVIEW AND APPROVAL PROCESS FOR FINANCING OF PROJECTS BY AUTHORITY” below) generally are funded initially by Revolving Credit Loans until they are at least approximately 75% complete, after which they are refinanced with Bonds, and occasionally are financed directly with Bonds. As of January 31, 2015, the Authority had approved projects for the University of Tennessee system with a total cost of \$498,194,125, of which \$51,297,598 had been funded with Revolving Credit Loans, and for the Tennessee Board of Regents system with a total cost of \$226,469,142, of which \$76,274,508 had been funded with Revolving Credit Loans. The Governor’s budget for fiscal year 2014-2015 includes capital projects, as amended by the Appropriations Bill (Public Chapter 453), to be funded by the Authority in the amount of \$510,688,000, of which \$329,350,000 is for the University of Tennessee system and \$181,338,000 is for the Tennessee Board of Regents system.

Outcomes-Based Funding

Legislative appropriations for higher education are based on an outcomes-based funding formula model that rewards institutions for the production of outcomes that further the educational attainment and productivity goals of the State’s Master Plan for the future development of public higher education that has been approved by the Commission. This model was effective beginning with fiscal year 2010-2011 and was phased in over a three year period.

The outcomes were chosen to represent broad activities across institutions and are grouped into the categories of student progression, degree production, efficiency, and other important institutional functions. The outcomes are weighted according to institutional mission, reflecting an institution’s basic Carnegie Classification (a major national framework for describing how institutions are alike and different) as a core differentiation.

Outcomes Included in the University Formula

Students Accumulating 24hrs	Bachelor and Associate Degrees
Students Accumulating 48hrs	Masters and Ed Specialist Degrees
Students Accumulating 72hrs	Doctoral and Law Degrees
Research and Service Expenditures	Degrees per 100 Full Time Equivalent ("FTE")
Transfers Out with at Least 12 Credit Hours	Six-Year Graduation Rate

Outcomes Included in Community College Formula

Students Accumulating 12 hrs	Dual Enrollment Students	Job Placements
Students Accumulating 24 hrs	Associates Granted	Transfers out with 12 Credits
Students Accumulating 36 hrs	Certificates Granted	Remedial and Developmental
Work Force Training	Awards per 100 FTE	Success

The outcomes-based model does not include student enrollment data at all. It instead utilizes a three-year average of outcome data. The outcome data is then weighted to reflect both the priority of that outcome at a particular institution and an institution's Carnegie Classification. Institutions are also rewarded with a premium for the student progression and undergraduate degree production data attributable to low-income and/or adult students. Student progression measures the accumulation of credit hours, thereby incorporating course completions.

The outcomes-based model provides more stability by spreading the financial incentives across more variables. Additionally, the institutional specific weights allow the State to be clear in its expectations, while not prescribing to institutions how to achieve higher levels of outcomes. Unlike performance funding, the outcomes based formula does not have annual targets or benchmarks. Therefore, institutions are not penalized for failure to achieve a predetermined annual goal. Furthermore, the links to the Master Plan are strengthened by utilizing the formula as a policy tool to encourage increased productivity.

Employee Retirement Benefits

Tennessee Consolidated Retirement System - General

Employees of the University of Tennessee and the Board of Regents are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Title 8, Chapter 35 except that employees exempt from the Federal Fair Labor Standards Act may waive membership in TCRS and elect to participate in the Optional Retirement System (ORP), a defined contribution plan. The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees, higher education employees, teachers, and employees of certain local governments. As of June 30, 2014, there were 57,410 active members in TCRS in the state and higher education employee group. This total includes 16,829 employees of the University of Tennessee and the Board of Regents who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. State and higher education employees hired prior to July 1, 2014 are noncontributory. New employees hired after June 30, 2014 contribute 5% of salary.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. Beginning June 30, 2014, an actuarial valuation will be conducted annually for accounting purposes. The June 30, 2014 actuarial valuation for accounting purposes should be available in March 2015. Furthermore, the Board of Trustees adopted a funding policy whereby an actuarial valuation will be conducted annually to determine the actuarially determined contribution rate for participating employers. The actuarial valuation for June 30, 2015 will include both the determination of employer contribution rates and accounting information.

Tennessee Consolidated Retirement System - Actuarial

At July 1, 2013, the date as of which the latest available actuarial valuation was performed, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was \$1.465 billion,

resulting in a funded ratio of 89.40%. The unfunded actuarial liability would have been \$1.995 billion if based on the market value of assets with the funded ratio being 85.56%. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

Tennessee Consolidated Retirement System - Employer Contributions

Higher education institutions are required to contribute at an actuarially determined rate. The employer contribution rates are developed with each actuarial valuation and are delayed by one year for budget purposes. The July 1, 2011 actuarial valuation provided the employer contribution rates for the period July 1, 2012 through June 30, 2014. For the employees of Tennessee's higher education institutions, the employer contribution rate, stated as a percentage of salary was 15.03%. The actuarial valuation, as of July 1, 2013, established the same employer contribution rate (15.03%) for the period beginning July 1, 2014 through June 30, 2016. Previously, actuarial valuations were performed every two years. Beginning July 1, 2015, the actuarial valuation will be performed annually for both accounting purposes and funding purposes. The employer contribution requirements of the higher education institutions are established and may be amended by the TCRS Board of Trustees. Employer contributions by institutions of higher education to TCRS for years ending June 30, 2014, 2013, 2012, 2011, 2010, and 2009 were as follows:

Fiscal Year Ended 30-Jun	Employer Contribution Rate	UT Contributions	TBR Contributions	H.E. Employer Total Contributions to TCRS
2014	15.03%	\$ 49,860,508	\$ 64,192,031	\$ 114,052,539
2013	15.03%	\$ 47,508,783	\$ 63,856,871	\$ 111,365,654
2012	14.91%	\$ 44,815,331	\$ 61,672,611	\$ 106,487,942
2011	14.91%	\$ 43,343,861	\$ 58,565,890	\$ 101,909,751
2010	13.02%	\$ 37,266,850	\$ 50,462,343	\$ 87,729,193
2009	13.02%	\$ 37,963,758	\$ 51,973,616	\$ 89,937,374

For each year above, contributions made by the University of Tennessee and the Tennessee Board of Regents institutions equal the annual required contributions (ARC).

New Pension Plan for Employees Hired after June 30, 2014

As authorized by Public Chapter 259, Acts of 2013, employees first hired after June 30, 2014, will participate in a hybrid pension plan consisting of a defined benefit plan and a defined contribution plan. Employees will contribute at 5% of salary to the defined benefit plan. Employees will contribute 2% of salary to the defined contribution plan unless the employee opts out of making such contribution. The total employer cost for the two plans will be limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan.

The benefit accrual formula under the hybrid plan will be 1% versus 1.575% in the legacy plan. Eligibility to retire is age 65 or the rule of 90 (where age and service equals 90) while the legacy plan is age 60 or 30 years of service. Vesting is 5 years for both the hybrid and the legacy plan. There is a stabilization reserve created for any employer contributions that exceed the actuarial required employer rate that will be utilized to control cost and unfunded liabilities.

The defined benefit component of the hybrid plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include utilizing funds in the stabilization reserve (if any), limiting retiree cost of living adjustments, shifting future employer contributions from the defined contribution plan to the defined benefit plan, requiring additional employee contributions, and adjusting benefit accruals. The control features only apply to the new hybrid plan and do not apply to the legacy pension plan.

Governmental Accounting Statements 67 and 68

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 67 relative to financial reporting for pension plans and Statement No. 68 relative to accounting and financial reporting for pensions for governmental entities. The statements essentially separate pension accounting from pension funding, which have historically been linked together. Statement No. 68 provides a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, Statement No. 68 provides a methodology for measuring the pension liability to be presented in the employer's financial statement. Regardless, financial statement presentation will not affect the pension funding methodologies described herein. For TCRS, the effective date of Statement No. 67 will be the fiscal year ended June 30, 2014 and the effective date of Statement No.

68 for the State will be the fiscal year ended June 30, 2015.

Other Post-Employment Benefits

GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). The latest actuarial valuation is as of July 1, 2013, published on July 28, 2014, and includes OPEB costs attributable to the State and, separately, for certain of its component units (including the Boards) that are required to participate in the State retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that as of July 1, 2013, the total unfunded actuarial liability of the University of Tennessee was approximately \$193,052,000, and the annual required contribution is approximately \$20,167,000, while the unfunded actuarial liability of the Tennessee Board of Regents is approximately \$176,695,000, and the annual required contribution is approximately \$20,843,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be viewed at <http://www.tn.gov/finance/act/documents/7-1-2013TnStateEmployeesPlanValuation6302014.pdf>. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge the Boards for these actual costs allocable to the Boards' employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

REVIEW AND APPROVAL PROCESS FOR FINANCING OF PROJECTS BY AUTHORITY

For the purpose of carrying out the programs authorized by the Act and to permit the Authority to undertake the financing of Projects, the Authority's existing policy generally requires the review and approval of a project by different bodies of State government prior to the Authority's approval of a project undertaken for either the Board of Trustees or the Board of Regents.

The review and approval process is undertaken in the following sequence:

(1) A Project request is initiated by an Institution. Such Project is expected to relate to that Institution's five-year capital construction plan, if applicable.

(2) The Project is reviewed by the Board of Trustees or the Board of Regents, as the case may be, and, if approved, is forwarded to the Tennessee Higher Education Commission and to the Authority.

(3) The Tennessee Higher Education Commission undertakes a review of the Project to determine its educational need and compatibility with the Institution's master plan. The Commission then forwards its comments and recommendations to the Commissioner of Finance and Administration and the State Building Commission. At the same time, the Authority staff undertakes a review of the Project's financial feasibility to determine if sufficient revenue has been pledged to cover the debt service for that project. The staff then forwards its comments and recommendations to the State Building Commission.

(4) The Project is then presented to the State Building Commission for approval of funding. The State Building Commission is an agency of the State of Tennessee whose permanent members consist of the Governor, Lieutenant Governor, Speaker of the House of Representatives, Comptroller of the Treasury, Secretary of State, State Treasurer and Commissioner of Finance and Administration. The State Architect serves as its Chief Staff Officer.

(5) Upon approval by the State Building Commission, the Project is forwarded to the Authority which considers the Project for inclusion under the Second Program Financing Agreement with the Board of Trustees or the Board of Regents, as the case may be.

(6) Upon approval for funding by the Authority, the Project proceeds immediately to detailed architectural design. When planning and specifications are complete, they are then forwarded to the State Architect's office for review and submission to the State Building Commission for approval.

Institutions may bring financings for the purchase of large equipment and computer software directly to the Authority. Depending on the average life of the item financed it may be amortized under the Revolving Credit Agreement or through long-term or short-term fixed rate debt.

RATINGS

Moody's Investors Service Inc. ("Moody's") has assigned the Offered Bonds an enhanced rating of "___", with a ___ outlook, based in part on its assignment to the Authority's Legislative Appropriations intercept program (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Legislative Appropriations") of a programmatic rating of "___", with a ___ outlook. Standard & Poor's Ratings Services, a subsidiary of the McGraw Hill Companies, Inc. ("S&P") has assigned the Offered Bonds a rating of "___", with a ___ outlook. Fitch Ratings ("Fitch") has assigned the Offered Bonds a rating of "___", with a ___ outlook. A rating is not a recommendation to buy, sell or hold the Offered Bonds and there is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such revision or withdrawal may have an adverse effect on the market price of the Offered Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10004; and Fitch Ratings, One State Street Plaza, New York, New York, 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened against the Authority to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds or the financing of the Projects or the application of the proceeds of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, the Financing Agreements, or the pledge or application of any monies or security provided for the payment of the Offered Bonds or the existence powers of the Authority, the Board of Regents or the Board of Trustees. The Board of Regents and the Board of Trustees are engaged in litigation of various natures. However, there is no litigation pending or threatened to restrain or enjoin the financing of the Projects or contesting or affecting the validity of any proceedings of the Board of Regents or the Board of Trustees taken with respect to the Financing Agreements, or the pledge or application of any monies or security provided for the payment of the Annual Financing Charges.

TAX MATTERS

Federal Tax Matters – 2015A Bonds

General

In the opinion of Hawkins Delafield, & Wood LLP, Bond Counsel to the Authority, interest on the 2015A Bonds (referred to in this section as "Federally Taxable Offered Bonds") is includable in gross income for United States Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel expresses no opinion regarding any other Federal tax consequences with respect to the Federally Taxable Offered Bonds. For the proposed form of opinion of Bond Counsel relating to Federal tax matters, See Appendix H.

The following discussion is a brief summary of the principal Federal income tax consequences of the acquisition, ownership and disposition of Federally Taxable Offered Bonds by original purchasers of the Federally Taxable Offered Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Federally Taxable Offered Bonds will be held as "capital assets" and (iii) does not discuss all of the Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Federally Taxable Offered Bonds as a position in a "hedge" or "straddle", holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Federally Taxable Offered Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Federally Taxable Offered Bonds should consult with their own tax advisors concerning the Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Federally Taxable Offered Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

For United States Federal income tax purposes, a Federally Taxable Offered Bond will be treated as issued with original issue discount ("OID") if the excess of a Federally Taxable Offered Bond's "stated redemption price at maturity" over its "issue price" equals or exceeds a statutorily determined de minimis amount. In general, if OID is greater than a statutorily defined *de*

minimis amount, a holder of a Federally Taxable Offered Bonds must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Federally Taxable Offered Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the Federally Taxable Offered Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest", provided by such Federally Taxable Offered Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "*de minimis* amount" is an amount equal to 0.25 percent of the Federally Taxable Offered Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Federally Taxable Offered Bond using the constant-yield method, subject to certain modifications.

Bond Premium

In general, if a Federally Taxable Offered Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Federally Taxable Offered Bond other than "qualified stated interest" (a "Taxable Premium Bond"), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder's basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Federally Taxable Offered Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Federally Taxable Offered Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Federally Taxable Offered Bonds to be deemed to be no longer outstanding under the resolution for the Federally Taxable Offered Bonds (a "defeasance"). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Federally Taxable Offered Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate of holders with respect to payments of principal, payments of interest, and the accrual of OID on a Federally Taxable Offered Bond and the proceeds of the sale of a Federally Taxable Offered Bond before maturity within the United States. Backup withholding may apply to holders of Federally Taxable Offered Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Federally Taxable Offered Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to the Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Federal Tax Matters – 2015B Bonds and 2015C Bonds

General

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the 2015B Bonds and 2015C Bonds (referred to in this section as “Federally Tax-Exempt Offered Bonds”) (i) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Boards and others in connection with the Federally Tax-Exempt Offered Bonds, and Bond Counsel has assumed compliance by the Authority and the Boards with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Federally Tax-Exempt Offered Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal tax consequences with respect to the Federally Tax-Exempt Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. Bond Counsel expresses no opinion as to the effect of any action hereafter taken or not taken, in reliance upon an opinion of other counsel, on the exclusion from gross income for Federal income tax purposes of interest on the Federally Tax-Exempt Offered Bonds.

For the proposed form of opinion of Bond Counsel relating to Federal tax matters, see Appendix H.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Federally Tax-Exempt Offered Bonds in order that interest on the Federally Tax-Exempt Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Federally Tax-Exempt Offered Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Federally Tax-Exempt Offered Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Boards have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Federally Tax-Exempt Offered Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Federally Tax-Exempt Offered Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Federally Tax-Exempt Offered Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Federally Tax-Exempt Offered Bonds.

Prospective owners of the Federally Tax-Exempt Offered Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Federally Tax-Exempt Offered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Federally Tax-Exempt Offered Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Federally Tax-Exempt Offered Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Federally Tax-Exempt Offered Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel is of the opinion that, for any Offered Bond having OID (a “Discount

Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bond under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Federally Tax-Exempt Offered Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Federally Tax-Exempt Offered Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on that Offered Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Federally Tax-Exempt Offered Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost.

Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Federally Tax-Exempt Offered Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Federally Tax-Exempt Offered Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Federally Tax-Exempt Offered Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

State of Tennessee Tax Matters

In the opinion of Bond Counsel to the Authority, under existing laws of the State, the Offered Bonds and the interest thereon are exempt from taxation by the State or any county, municipality or political subdivision of the State, except for estate and gift taxes and taxes on transfers, and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State.

Bond Counsel expresses no opinion regarding any other state or local tax consequences with respect to the Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. Bond Counsel expresses no opinion as to the effect of any action hereafter taken or not taken, in reliance upon an opinion of other counsel, under state and local tax law.

For the proposed form of opinion of Bond Counsel relating to State tax matters, see Appendix H.

Miscellaneous Tax Matters

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Offered Bonds under Federal or state law or otherwise prevent beneficial owners of the Offered Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Offered Bonds. For example, the Fiscal Year 2015 Budget proposed by the Obama Administration recommended a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, had it been enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Offered Bonds should consult their own tax advisors regarding the foregoing matters.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") is employed by the Authority to perform professional services in the capacity of financial advisor. In its role as financial advisor to the Authority, PFM has provided advice on the plan of financing and structure of the Offered Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the Authority and other sources and the Authority's certification as to the Official Statement.

VERIFICATION AGENT

The arithmetical accuracy of certain computations included in the schedules provided by PFM on behalf of the Authority relating to (a) computation of the sufficiency of cash and forecasted receipts of principal and interest on the securities on deposit under the Refunding Trust Agreements to pay the forecasted payments of Redemption Prices and interest on and prior to the redemption dates of the Refunded Bonds, and (b) computation of the yield on the 2015B Bonds and 2015C Bonds was examined by _____. Such computations were based solely upon assumptions and information supplied by PFM on behalf of the Authority. _____ has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

APPROVING LEGAL OPINIONS

The validity of the Offered Bonds will be approved by the legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. For the form of proposed Bond Counsel opinion relating to the Offered Bonds, see Appendix H. Certain legal matters will be passed upon by the Attorney General and Reporter of the State of Tennessee, as counsel to the Authority, and by _____, as counsel to the Underwriters. No representation is made to the holders of the Offered Bonds that such counsel have verified the accuracy, completeness or fairness of the statements in this Official Statement, and such counsel assume no responsibility to the holders of the Offered Bonds except for the matters that will be set forth in their respective opinions.

ADDITIONAL INFORMATION; CONTINUING DISCLOSURE

Additional information relating to the Authority is contained in its audited financial statements. The audited financial statements of the Authority for fiscal years ended June 30, 2014 and 2013 are included herein as Appendix A. Audited financial statements for certain prior years are available on the website of the Tennessee Comptroller of the Treasury and have been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system.

Additional information relating to the Institutions is included in the audited financial statements of the State, including component unit reporting of The University of Tennessee system and the Board of Trustees of the University of Tennessee, and of the State University and Community College System of the State of Tennessee and the Tennessee Board of Regents, showing

information of the type described in the Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances. Financial statements for fiscal year 2013-2014 and for certain prior years are available on the website of the Tennessee Comptroller of the Treasury and have been filed with EMMA.

The Authority has authorized a Continuing Disclosure Undertaking (the “Undertaking”) with respect to the Offered Bonds to assist the Underwriters in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b)(5). The Undertaking is for the benefit of the holders of the Offered Bonds; beneficial owners of the Offered Bonds will be third-party beneficiaries of the Undertaking. In the Undertaking, the Authority will agree to provide certain financial information and operating data by specified dates, and to provide notice of certain enumerated events with respect to the Offered Bonds. The specific nature of the information to be provided and the notices of enumerated events, and where they will be filed, is described in the summary of certain provisions of the Undertaking, attached hereto as Appendix G.

Certain financial information and operating data required to be filed within the preceding five (5) years with nationally recognized municipal securities repositories pursuant to previous Rule 15c2-12 continuing disclosure undertakings by EMMA were not timely filed but have since been filed with EMMA. This included, for fiscal year ending June 30, 2012, (a) the information in the tables entitled (i) “Disclosed TSSBA Funded Capital Projects” and (ii) “Comparison of Tennessee Undergraduate Universities to Southern Regional Education Board Median Annual Undergraduate Tuition and Required Fees”, and (b) Tennessee Consolidated Retirement System financial information and operating data and Higher Education Employer Contributions, and Other Post-Employment Benefits unfunded liabilities and annual required contributions. The Authority agreed to make such filings by January 31, 2013; however, the tables referred to in (a) and (b) in the preceding sentence were posted on EMMA on August 12, 2013 and October 3, 2013, respectively. In addition, certain available individual institution audit reports were not timely filed with EMMA, but have since been filed in all instances and in any event were and are available on the website of the Tennessee Comptroller of the Treasury. In its continuing disclosure undertakings, the Authority has agreed to file annual financial statements of the State when and if available. For the fiscal years ending June 30, 2009 and June 30, 2010, completion of the annual financial statements of the State was delayed as a result of the implementation of new financial software. Although such statements were filed on EMMA when completed, they were inadvertently not linked on EMMA to the Authority’s bonds. Such statements have been since linked to the Authority’s bonds. Rating downgrades on the insurer of several series of its outstanding bonds (2005 Series A, 2005 Series B, 2006 Series A, 2007 Series A, 2007 Series B, and 2007 Series C) were not the subject of material event notices due, in part, to the lack of any direct notification to the Authority of the specific rating impact on such bonds. Notice of such rating downgrades have since been filed on EMMA for all affected series. Finally, the material event notice with respect to the 2010 recalibration of the Authority’s credit rating by Fitch was filed 17 days after the Fitch rating recalibration. The Authority believes that this filing was timely under the terms of its then-effective continuing disclosure agreements, which required that material event filings be made promptly (the Rule was subsequently amended to impose a 10-day window for filing notices of material events related to credit rating changes).

UNDERWRITING

_____, on behalf of itself and other underwriters shown on the front cover of this Official Statement (collectively, the “Underwriters”), has agreed, subject to certain conditions, to purchase the Offered Bonds pursuant to a Bond Purchase Agreement (the “Purchase Agreement”). The Underwriters will purchase the Offered Bonds at a purchase price of \$_____ (representing the principal amount of the Offered Bonds of \$_____ plus original issue premium of \$_____, less Underwriters discount of \$_____).

The Purchase Agreement provides that the Underwriters shall purchase all of the Offered Bonds if any are purchased, subject to the conditions contained therein. The Offered Bonds may be offered and sold to certain dealers, banks and others at prices different than the offering prices indicated on the inside front cover page hereof, and such offering prices may be changed from time to time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriter and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

Financial Statements of the Authority

The Tennessee State School Bond Authority Comprehensive Annual Financial Report (“Authority CAFR”), including the audited Basic Financial Statements, for the fiscal year ended June 30, 2014 has been filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system (see “ADDITIONAL INFORMATION; CONTINUING DISCLOSURE” in the Official Statement) and is obtainable from the MSRB in accordance with its procedures. A printed version is also available upon request to the Tennessee State School Bond Authority, James K. Polk State Office Building, Suite 1600, 505 Deaderick Street, Nashville, Tennessee 37243-0273, telephone (615) 401-7872, fax (615) 741-5986. The 2013 Authority CAFR and certain prior year CAFRs are posted on the Authority’s website at <http://www.comptroller.tn.gov/TSSBA/cafr.asp>.

The following reports, each of which are included in the CAFR and have been posted on the Authority’s website, are incorporated herein by reference:

Independent Auditor’s Report

Management’s Discussion and Analysis

Basic Financial Statements:

Statements of Net Assets

Statements of Revenues, Expenses and Changes in Net Assets

Statements of Cash Flows

Notes to the Financial Statements

Supplementary Schedules:

Supplementary Schedules of Net Assets – Program Level

Supplementary Schedules of Revenues, Expenses, and Changes in Net Assets – Program Level

Supplementary Schedules of Cash Flows – Program Level

Other Financial Statements

The State of Tennessee Comprehensive Annual Financial Report (“State CAFR”), including component unit reporting of The University of Tennessee system and the Board of Trustees of the University of Tennessee, and of the State University and Community College System of the State of Tennessee and the Tennessee Board of Regents, showing of the type described in the Statement of Net Assets, Statement of Activities, and Statement of Revenues, Expenditures and Changes in Fund Balances, for the fiscal year ended June 30, 2014 has been filed with EMMA and is obtainable from the MSRB in accordance with its procedures. A printed version is also available upon request to the Authority, as described above. The 2014 State CAFR and certain prior year State CAFRs are posted on the website of the Tennessee Department of Finance and Administration at <http://www.tn.gov/finance/act/cafr.shtml>. The State CAFR and such component unit reporting is required to be filed annually with EMMA pursuant to the Authority’s continuing disclosure obligations as described in this Official Statement under “ADDITIONAL INFORMATION; CONTINUING DISCLOSURE” and in APPENDIX G – “SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE UNDERTAKING.”

The most recent audited financial statements for the schools under the supervision of the Board of Trustees and Tennessee Board of Regents are posted on the website of the Comptroller of the Treasury of the State of Tennessee, Division of State Audit, at <http://www.comptroller.tn.gov/sa/SASub.asp?SC=CUtF>. Universities are audited on an annual basis and Community Colleges and Technology Centers are audited on a biennial basis. Audits are prepared on a rolling basis and are published as they become available. These financial statements are not required to be filed with EMMA as part of the Authority’s continuing disclosure obligations as described in this Official Statement under “ADDITIONAL INFORMATION; CONTINUING DISCLOSURE” and in APPENDIX G – “SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE UNDERTAKING.”

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**TENNESSEE STATE SCHOOL BOND AUTHORITY
SELECTED STATISTICAL INFORMATION**

**Authority Second Program Bond Debt Service
and Other Requirements
Secured by Financing Agreements
(Excluding Revolving Credit Loans)
(Expressed in Thousands)**

<u>12 Months Ending June 30</u>	<u>Bond Debt Service¹</u>	<u>Admin. Expense^{1,2}</u>	<u>Annual Debt Service and Admin. Exp.¹</u>
2015	71,299	2,601	73,900
2016	114,168	2,514	116,682
2017	112,098	2,393	114,491
2018	111,503	2,272	113,775
2019	109,695	2,149	111,844
2020	106,996	2,023	109,019
2021	100,681	1,898	102,579
2022	98,278	1,779	100,057
2023	96,820	1,660	98,480
2024	92,933	1,539	94,472
2025	88,836	1,420	90,256
2026	88,260	1,305	89,565
2027	80,681	1,185	81,866
2028	78,817	1,076	79,893
2029	70,485	966	71,451
2030	67,848	867	68,715
2031	55,327	770	56,097
2032	55,172	693	55,865
2033	47,796	612	48,408
2034	44,210	543	44,753
2035	39,419	478	39,897
2036	39,426	419	39,845
2037	37,735	358	38,093
2038	35,208	298	35,506
2039	31,109	240	31,349
2040	28,967	188	29,155
2041	24,553	137	24,690
2042	24,547	94	24,641
2043	10,866	48	10,914
2044	10,861	28	10,889
2045	3,589	7	3,596
	<u>\$ 1,978,183</u>	<u>\$ 32,560</u>	<u>\$ 2,010,743</u>

Source - TSSBA Master Bond Schedule (Unaudited)

¹ Includes the Offered Bonds and excludes the 2015A Refunded Bonds and the 2015B Refunded Bonds. See "THE AUTHORITY - Outstanding Indebtedness of the Authority" for total outstanding Bonds as of January 31, 2015 (unaudited).

² Admin. expense is a fee imposed by the Authority on the Institutions estimated at the rate of 20 bps on the outstanding indebtedness of the Authority. The Authority has the right to change the amount charged based on actual expenses.

Principal Amount of Debt Outstanding by Institution
(Unaudited)
(Expressed in Thousands)
As of January 31, 2015

Institutions	Authority Debt		Total Debt
	Bonds¹	Revolving Credit Loans^{2,3}	
University of Tennessee System	\$ 683,503	\$ 51,298	\$ 734,801
Tennessee Board of Regents System	616,822	76,275	693,097
TOTAL	\$ 1,300,325	\$ 127,573	\$ 1,427,898

Source - TSSBA (Unaudited)

¹ Excludes the Offered Bonds. See "THE AUTHORITY - Outstanding Indebtedness of the Authority" for total outstanding Bonds as of January 31, 2015.

² Excludes \$8,079,270 of Revolving Credit Loans not allocated to Institutions as of January 31, 2015

³ Excludes \$44,843,001 Revolving Credit Loans to be retired with proceeds of the Offered Bonds. (waiting for final numbers)

**University and College Funds
Statement of Fees/Charges, Legislative Appropriations
And Debt Service for the Last Ten Years**

The Total Fees and Charges and Legislative Appropriations (in some cases, as amended by the General Assembly) set forth in the following tables are applied to pay the cost of operation and maintenance of the following Institutions as well as the Debt Service Requirements² (excluding Revolving Credit Loans and the Offered Bonds) listed below. (Fiscal Years end June 30) (Dollar amounts are rounded to thousands).

UNIVERSITY OF TENNESSEE SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations ¹	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements ² (Authority Bonds)
2014	\$ 691,600	\$ 464,961	\$ -	\$ 55,821
2013	658,079	448,437	-	52,859
2012	584,147	411,729	-	51,469
2011	685,003	548,787	-	48,256
2010	648,298	493,304	12	43,998
2009	599,973	476,333	35	35,373
2008	565,963	510,261	35	29,158
2007	532,582	471,730	45	26,652
2006	484,786	440,014	56	23,896
2005	448,955	430,412	66	25,317

TENNESSEE BOARD OF REGENTS SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations ¹	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements ² (Authority Bonds)
2014	\$ 1,057,701	\$ 644,437	\$ -	\$ 53,349
2013	1,035,821	621,841	-	49,484
2012	1,216,903	501,867	1,399	45,016
2011	1,143,916	660,608	1,399	43,367
2010	1,039,268	633,006	1,399	43,120
2009	923,813	610,380	1,699	31,997
2008	863,336	645,952	1,889	27,556
2007	801,229	641,094	2,070	25,567
2006	747,829	599,028	2,242	19,995
2005	686,647	587,362	312	22,079

Source - Tennessee State School Bond Authority and Universities and Colleges (Unaudited)

¹ Appropriations for operation and maintenance, including employer social security and retirement contributions, for the respective systems (including the respective schools and Boards).

² Debt Service Requirements consist of only principal and interest.

State of Tennessee
Coverage of Annual Financing Charges and Administrative Fees for
Long-Term Debt Secured By Financing Agreements¹
College and University Funds
For the Last Ten Years

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Charges ³	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
2014	691,600	464,961	56,764	12.18 X	20.37 X
2013	658,079	448,437	53,855	12.22 X	20.55 X
2012	584,147	411,729	51,984	11.24 X	19.16 X
2011	685,003	584,787	41,583	16.47 X	30.54 X
2010	648,298	493,304	44,804	14.47 X	25.48 X
2009	599,973	476,333	36,122	16.61 X	29.80 X
2008	565,963	510,261	29,762	19.02 X	36.16 X
2007	532,582	471,730	27,157	19.61 X	36.98 X
2006	484,786	440,014	24,425	19.85 X	37.86 X
2005	448,955	430,412	25,854	17.37 X	34.01 X

TENNESSEE BOARD OF REGENTS SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Charges ³	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
2014	\$ 1,057,701	\$ 644,437	\$ 54,346	19.46 X	31.32 X
2013	1,035,821	621,841	50,530	20.50 X	32.81 X
2012	1,216,903	501,867	46,048	26.43 X	37.33 X
2011	1,143,916	660,608	40,430	28.29 X	44.63 X
2010	1,039,268	633,006	44,194	23.52 X	37.84 X
2009	923,813	610,380	33,169	27.85 X	46.25 X
2008	863,336	645,952	28,163	30.65 X	53.59 X
2007	801,229	641,094	26,056	30.75 X	55.35 X
2006	747,829	599,028	20,563	36.37 X	65.50 X
2005	686,647	587,362	22,629	30.34 X	56.30 X

Source - Tennessee State School Bond Authority and Universities and Colleges (Unaudited)

¹ Excludes Offered Bonds. Excludes Revolving Credit Loans.

² Appropriations for operation and maintenance, including employer social security and retirement contributions, for the respective systems (including the respective schools and Boards).

³ Annual Financing Charges consist of principal, interest and administrative fees.

**University and College
Per Student Fees and Charges
(2014 – 2015 Academic Year)**

Student Fees and Charges are the largest component of total Fees and Charges received by schools. Other Fees and Charges include rental revenue and other charges for use of certain Projects by faculty, administration, the public at large, and other users.

Institutions	Debt Service Fees¹	In-State Student Tuition & Mandatory Fees	Non-Resident Student Tuition & Mandatory Fees	Average Room Charge	Average Board Charge
University of Tennessee-Knoxville (JR, SR)	\$ 282	\$ 10,276	\$ 28,726	\$ 6,288	\$ 4,008
University of Tennessee-Knoxville (SO)	282	11,584	\$ 30,034	6,288	4,008
University of Tennessee-Knoxville (FR & Transfers)	282	11,876	30,326	6,288	4,008
University of Tennessee-Chattanooga	300	8,138	24,256	5,900	3,100
University of Tennessee-Martin	380	8,024	21,968	4,570	2,571
Austin Peay State University	274	7,462	22,678	5,526	2,643
East Tennessee State University	180	7,985	25,151	4,398	2,940
Middle Tennessee State University	408	8,188	25,252	4,363	3,050
Tennessee State University	178	7,224	20,580	3,255	2,978
Tennessee Technological University	58	8,017	23,767	3,176	4,764
University of Memphis	490	8,973	14,829	4,180	4,150
Chattanooga State Community College	0	4,027	19,345	N/A	N/A
Cleveland State Community College	0	3,985	19,303	N/A	N/A
Columbia State Community College	0	3,973	19,291	N/A	N/A
Dyersburg State Community College	0	4,001	19,319	N/A	N/A
Jackson State Community College	0	3,987	19,305	N/A	N/A
Motlow State Community College	0	3,978	19,296	N/A	N/A
Nashville State Community College	0	3,927	19,245	N/A	N/A
Northeast State Community College	0	3,989	19,307	N/A	N/A
Pellissippi State Community College	30	4,041	19,359	N/A	N/A
Roane State Community College	0	4,005	19,323	N/A	N/A
Southwest Tennessee Community College	0	4,017	19,335	N/A	N/A
Volunteer State Community College	0	3,975	19,293	N/A	N/A
Walters State Community College	0	3,990	19,308	N/A	N/A

Source - Tennessee Higher Education Commission

¹ Debt Service Fees represent an additional charge by certain institutions to cover a portion of such Institution's debt service obligations on certain indebtedness, including Bonds. Institutions which do not impose a separate Debt Service Fee may include similar charges as a portion of a student's maintenance fees.

Tennessee Higher Education Commission
History of Fall Term Full-Time Equivalent Enrollment in Public Higher Education Schools

School ¹	2008	2009	2010	2011	2012	2013	% Change	
							2012-2013	2008-2013
Four Year Institutions								
APSU	7,499	7,566	8,493	8,513	8,508	8,416	-1.1%	12.2%
ETSU*	11,448	12,116	12,794	13,030	12,784	12,374	-3.2%	8.1%
MTSU	20,062	21,049	22,010	21,807	20,824	19,637	-5.7%	-2.1%
TSU	6,694	7,025	7,142	7,159	6,901	7,080	2.6%	5.8%
TTU	8,568	9,057	9,361	9,525	9,636	9,797	1.7%	14.3%
UM	15,910	16,792	17,536	17,725	17,462	16,704	-4.3%	5.0%
TBR Total	70,181	73,605	77,336	77,759	76,114	74,007	-2.8%	5.5%
UT Chattanooga	8,446	9,116	9,788	9,845	9,951	10,208	2.6%	20.9%
UT Knoxville**	25,097	24,624	24,219	23,519	23,610	23,860	1.1%	-4.9%
UT Martin	6,305	6,714	6,959	6,852	6,770	6,555	-3.2%	4.0%
UT Health Science	2,671	2,837	2,623	2,789	2,799	2,859	2.1%	7.0%
UT Total	42,519	43,291	43,589	43,005	43,129	43,481	0.8%	2.3%
Total 4 Year	112,700	116,896	120,925	120,764	119,243	117,488	-1.5%	4.2%
Two Year Schools ²								
Chattanooga	5,334	5,987	6,712	6,671	6,585	6,388	-3.0%	19.8%
Cleveland	2,195	2,504	2,592	2,617	2,482	2,487	0.2%	13.3%
Columbia	3,081	3,569	3,579	3,417	3,348	3,352	0.1%	8.8%
Dyersburg	1,741	2,213	2,419	2,334	2,217	1,918	-13.5%	10.2%
Jackson	2,803	3,313	3,410	3,260	2,847	2,722	-4.4%	-2.9%
Motlow	2,892	3,353	3,337	3,069	2,925	2,984	2.0%	3.2%
Nashville	4,315	5,154	5,619	5,686	5,681	5,796	2.0%	34.3%
Northeast	3,606	4,231	4,624	4,423	4,289	3,912	-8.8%	8.5%
Pellissippi	5,686	6,695	7,274	7,402	7,057	6,978	-1.1%	22.7%
Roane	3,766	4,227	4,389	4,205	4,153	3,964	-4.6%	5.3%
Southwest	7,219	8,465	8,431	8,216	7,555	6,801	-10.0%	-5.8%
Volunteer	4,582	5,501	5,777	5,449	5,091	4,985	-2.1%	8.8%
Walters	4,082	4,780	4,808	4,595	4,425	4,103	-7.3%	0.5%
Total 2 Year	51,302	59,993	62,971	61,344	58,655	56,390	-3.9%	9.9%
Grand Total	164,002	176,889	183,896	182,108	177,898	173,878	-2.3%	6.0%
							Five-Year Annual Growth Rate	
							1.2%	

Source - Tennessee Higher Education Commission Fact Book

* ETSU includes the Medical and Pharmacy schools

**The University of Tennessee, Knoxville includes the Veterinary school and the UT Space Institute

¹ TBR = Tennessee Board of Regents, APSU = Austin Peay State University, ETSU = East Tennessee State University, MTSU = Middle Tennessee State University, TSU = Tennessee State University, TTU = Tennessee Technological University, UM = University of Memphis, UT = University of Tennessee

²Two Year Schools = State Community Colleges

GLOSSARY OF CERTAIN TERMS

The following terms, as used in this Official Statement including the Appendices hereto, have the respective meanings provided below. These summary definitions do not purport to be complete or definitive and are qualified in their entirety by reference to the Resolution and Financing Agreements, copies of which are on file at the offices of the Authority and the Trustee.

"Account" or "Accounts" means each account or all of the accounts established pursuant to the Resolution, as the case may be.

"Accreted Value" means with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months or otherwise with respect to any Series of Bonds as may be provided by the Supplemental Resolution authorizing the issuance thereof.

"Act" means the Tennessee State School Bond Authority Act, Sections 49-3-1201 *et seq.*, Tennessee Code Annotated, as amended from time to time.

"Administrative Expenses" means the Authority's expenses of carrying out and administering its powers, duties and functions in connection with the Agreements, the Projects and the Resolution, and shall include, without limiting the generality of the foregoing: administrative expenses, legal, accounting and consultant's services and expenses, the fees and expenses of the Trustee, Paying Agents and Registrar, payments to pension, retirement, health and hospitalization funds, and any other expenses required or permitted to be paid by the Authority under the provisions of the Act, the Financing Agreements or the Resolution or otherwise.

"Annual Financing Charges" means the amounts payable by the Boards to the Authority under the Financing Agreements for (i) the payment of principal of and premium, if any, and interest on Debt for all Projects and all Institutions, (ii) any payments to fund or replenish reserves therefor as may be required by the Resolution, regardless of Project or Institution, and (iii) any other payments required to be made by or on behalf of the Authority under or pursuant to the Resolution with respect to any Project, any Institution or the Board.

"Authenticating Agent" means an authenticating agent appointed pursuant to the Resolution.

"Authority" means the Tennessee State School Bond Authority, the corporate governmental agency and instrumentality created by the Act, or any body, agency or instrumentality of the State which shall succeed to the powers, duties and functions of the Authority.

"Authorized Officer" means any member of the Authority, and any other officer or employee of the Authority authorized by law, by resolution of the Authority or by a certificate of the Secretary of the Authority to perform the act or sign the document in question.

"Bank Bonds" means Reimbursement Obligations under Credit Facilities represented by Bonds; provided, however, that Bank Bonds do not include any Bonds issued to or held by any party providing a Credit Facility or its designee in any other capacity.

"Board" or "Boards" means the Board of Regents or the Board of Trustees, or both such Boards, respectively.

"Board of Regents" means the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee, and its successors.

"Board of Trustees" means the Board of Trustees of The University of Tennessee, and its successors.

"Bond" or "Bonds" means any Bond or Bonds issued under the Resolution, including but not limited to Variable Interest Rate Bonds, Capital Appreciation Bonds and Refunding Bonds. Bonds shall not include Subordinated Obligations.

"Bond Year" means the twelve month period commencing on May 1 of each calendar year and ending on April 30 of the next succeeding calendar year except that the first Bond Year shall begin on the date specified in the Supplemental Resolution authorizing the first Series of Bonds.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent, the Registrar or the provider of a Reserve Fund Credit Facility are required or authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed, and (iv) with respect to a particular Series of Bonds, a day on which any provider of a Credit Facility for such Series of Bonds is located is required or authorized by law or executive order to close or as may otherwise be provided by the Supplemental Resolution authorizing such Series of Bonds.

"Capital Appreciation Bonds" means any Bonds as to which interest is payable only at the maturity or prior redemption of such Bonds or which bear a stated interest rate of zero. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or upon acceleration as provided in the Resolution, or (ii) computing the principal amount of Bonds held by the Owner of a Capital Appreciation Bond in giving to the Authority or any Fiduciary any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

"Commercial Paper" means all Commercial Paper issued under the Commercial Paper Resolution.

"Commercial Paper Resolution" means the Commercial Paper Resolution adopted by the Authority on November 18, 1997, as supplemented and amended.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Authority (who may be counsel to the Authority) which attorney or firm of attorneys is of recognized standing in the field of law relating to municipal bonds; provided, however, that such Counsel's Opinion may take customary exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization, laws affecting creditors' rights, the exercise of judicial discretion and other matters, and may state that no opinion is being rendered as to the availability of any particular remedy or as to the limitation of remedies resulting from sovereign immunity or the partial waiver thereof, and may contain such other references and qualifications as are acceptable to the Fiduciary receiving the same.

"Credit Facility" means any irrevocable letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond or agreement, guarantee or similar instrument which is obtained by the Authority and is issued by a financial, insurance or other institution, the State or any subdivision, department, instrumentality or agency thereof, and the Tennessee Consolidated Retirement System or any successor entity thereto then managing and investing the State retirement funds, and which provides credit enhancement, security or liquidity in respect of the Bonds (and which, with respect to a policy of bond insurance, guarantees the payment of principal of and interest on the Bonds), not including any Reserve Fund Credit Facility.

"Debt" means any bonds, notes or other evidences of indebtedness issued by the Authority pursuant to the Act and the Resolution for the purpose of financing or refinancing Project Costs. Without limiting the generality of the foregoing, Debt may include "long-term Debt" (i.e., with a term of more than one year unless issued in anticipation of the issuance of Debt with a longer term) or "short-term Debt" (i.e., with a term of one year or less or issued in anticipation of the issuance of Debt with a term of more than one year), and may take the form of commercial paper.

"Debt Service Reserve Requirement" means, with respect to each Series of Bonds (other than Bonds as to which the Authority has elected to establish a separate account in the Debt Service Reserve Fund solely for such Bonds, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Debt Service Reserve Fund"), as of any date of calculation, (i) an amount equal to the aggregate of the greatest amount of Debt Service on all Outstanding Bonds of such Series issued for each Project (calculated separately for each Project and then aggregated) payable on any interest or Principal Installment date thereafter (except that for the first such date after the date of issuance of such Bonds, interest to accrue for greater than 6 months but less than 12 months shall not be taken into account), or (ii) such greater amount, which subsequently may be reduced to an amount not less than the amount required by clause (i) above, as may be determined from time to time by the Authority by Supplemental Resolution; provided, however, that as a result of the issuance of any Series of Bonds the interest on which is generally excluded from gross income for Federal income tax purposes, the Debt Service Reserve Requirement with respect to such Series shall at no time exceed the lesser of

(i) the amount that may be funded from the proceeds of such Bonds or (ii) the amount that constitutes a reasonably required reserve with respect to such Bonds. Each determination by the Authority of the Debt Service Reserve Requirement shall be conclusive. For purposes of this definition:

- (A) **"Debt Service"** for any date or period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) the interest payable on such date or accruing during such period on the Outstanding Bonds of such Series, and (ii) the Principal Installment for such Series payable on such date or accruing during such period on the Outstanding Bonds of such Series; provided, however, that in calculating Debt Service on any future date or for any future period: (x) any Variable Interest Rate Bonds shall be deemed to bear interest at all times prior to the maturity date thereof for which the interest rate payable thereon has not yet been determined at the Debt Service Determination Interest Rate applicable thereto and (y) any interest on any Bonds secured by a Credit Facility the related Reimbursement Obligation on which is evidenced by a Bank Bond shall be calculated at the higher of the actual interest rate or, if applicable, the Debt Service Determination Interest Rate applicable to such Bonds or the maximum rate of interest permitted for any such Reimbursement Obligation (whether or not any Reimbursement Obligation has yet accrued).
- (B) **"Debt Service Determination Interest Rate"** means, with respect to any particular Variable Interest Rate Bonds, any numerical rate or rates of interest set forth, or determined as set forth, in the Supplemental Resolution authorizing such Bonds; provided, however, that such rate shall not be less than the interest rate initially borne by such Bonds.
- (C) **"Proceeds"** and **"reasonably required reserve"** shall have the respective meanings given such terms, or any comparable terms, for purposes of Section 148(d) of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"Defeasance Obligations" means Investment Obligations which are rated at the time of investment in any of the two highest Rating Categories by any Rating Agency, and which (i) shall not be subject to redemption prior to their maturity other than at the option of the holder thereof and (ii) shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof.

"Direct DTC Participant" shall have the meaning given to such term in Appendix F - "BOOK-ENTRY ONLY SYSTEM".

"Fees and Charges" means, with respect to each Board, all revenues, fees, rentals and other charges and moneys received by or on behalf of the Board for the Institution, or received by or on behalf of the Institution, for which any Project is undertaken which may be available for the purpose of paying Annual Financing Charges.

"Fiduciary" or **"Fiduciaries"** means the Trustee (including, where appropriate, any co-Trustee or Authenticating Agent), any Paying Agent, the Registrar, or any or all of them, as may be appropriate, or any other Person appointed to act as a Fiduciary as provided in the Resolution.

"Financing Agreement" or **"Financing Agreements"** means the Second Program Financing Agreement dated as of November 1, 1997, by and between the Authority and the Board of Trustees, and the Second Program Financing Agreement dated as of November 1, 1997, by and between the Authority and the Board of Regents, as appropriate, in each case as supplemented and amended from time to time.

"First Program Financing Agreements" means the Amended and Restated Financing Agreement dated as of September 17, 1996, between the Authority and the Board of Trustees, and between the Authority and the Board of Regents. The following terms, when identified as related to the **First Program**, shall have the respective meanings given to them in the First Program Financing Agreements: **administrative fees, Annual Financing Charges, Bonds, Fees and Charges, General Bond Resolution, Legislative Appropriations and Projects.**

"Fiscal Year" means, with respect to the Authority, currently the twelve month period commencing on July 1 and ending on June 30 of the following year. In the event of any change in Fiscal Year resulting in an initial Fiscal Year or interim period of more or less than twelve months, Fiscal Year for purposes of the Financing Agreements shall mean the last twelve month Fiscal Year.

"Fitch" means Fitch IBCA, Inc., or any successor then maintaining a rating on any Bonds at the request of the Authority.

"Fund" or "Funds" means each fund or all of the funds established in the Resolution, as the case may be.

"Indirect DTC Participant" shall have the meaning given to such term in Appendix F - "BOOK-ENTRY ONLY SYSTEM".

"Institution" means, as appropriate, (i) the University of Tennessee system, including all of its branches and divisions wherever located, and the services, programs and activities provided therein, and the Board of Trustees, in the aggregate, and (ii) the state university and community college system, including all of its constituent institutions wherever located (whether or not conferring degrees), and the services, programs and activities provided therein, and the Board of Regents, in the aggregate. [This definition is as amended on May 9, 2013, as discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recent Amendments to the Act, the Resolution and the Financing Agreements" in this Official Statement.]

"Investment Obligations" means and include any instruments, securities, certificates, obligations or the like if and to the extent the same are at the time permitted and legal for investment of the Authority's funds pursuant to the Act or in accordance with any other law, regulation, guideline or policy, as in effect from time to time, of or applicable to the Authority with respect to investments.

"Legislative Appropriations" means the amounts payable to the Authority from appropriations by the General Assembly of the State to an Institution for its operation and maintenance, under and pursuant to the Act and the Financing Agreements, including but not limited to amounts deductible, by Persons other than the Boards, from such appropriations for payment directly to the Authority.

"Moody's" means Moody's Investors Service, Inc., or any successor then maintaining a rating on any Bonds at the request of the Authority.

"Outstanding" when used with reference to Bonds, other than Bonds held by or for the account of the Authority or either of the Boards, means, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except:

- (A) any Bonds cancelled at or prior to such date;
- (B) any Bonds (or portions of Bonds) the principal or Redemption Price, if any, of, and interest on which shall have been paid in accordance with the terms thereof;
- (C) any Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered upon exchange or transfer pursuant to the Resolution;
- (D) Bonds deemed to have been paid as provided in the Resolution; and
- (E) Put Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available for such payment as provided in the Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of the Resolution;

unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility. If principal of a Bond is paid or redeemed by the provider of a Credit Facility, the related Reimbursement Obligation shall be treated as an Outstanding Bond (when such related Reimbursement Obligation is not evidenced by Bonds designated as Bank Bonds) in lieu of the Bond so paid or redeemed, but only to the extent that principal of the Bond was so paid or redeemed, bearing interest at the interest rate provided in the Credit Facility.

"Owner" or "Bondowner" (when used with reference to Bonds) or any similar term, means any Person who shall be the registered owner of any Outstanding Bond.

"Paying Agent" means any paying agent for the Bonds of any Series and its successor or successors and any other Person which may at any time be substituted in its place, pursuant to the Resolution.

"Person" means any individual, corporation, partnership, limited partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability corporation or partnership, or government or any agency or subdivision thereof, or other legal entity or group of entities.

"Principal Installment" means, as of any date of calculation with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Project" means a Project as such term is defined in the Financing Agreements. In the Financing Agreement with each Board, "Project" is defined as buildings, structures, improvements and equipment of every kind, nature and description which may be required by or convenient for the purposes of an Institution or other things which the Board is authorized by law (at the relevant time) to undertake or use, in each case if and to the extent (i) capitalizable by the Board, including but not limited to a capital lease, and (ii) approved by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority, all subject to any permissible amendment of the Financing Agreement. See Appendix D – "Summary of Certain Provisions of the Financing Agreements – Amendment". Pursuant to legislation adopted at the 2005 session of the General Assembly, computer software (whether acquired before, at the same time as, or after the hardware needed for utilization of the software) to the extent accounted for as a capital asset shall constitute equipment for financing purposes, and projects may include agricultural land related to educational purposes of an Institution purchased from a governmental entity prior to October 1, 2005.

"Project Cost" means all direct capital costs and indirect capital costs of Projects, including but not limited to costs of construction and acquisition, costs of issuance of Debt, funded interest on Debt, and amounts to fund or replenish reserves as may be required by the Resolution, if and to the extent approved by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority.

"Put Bonds" means Bonds which by their terms may be tendered by and at the option of the Owner thereof for payment prior to the stated maturity or redemption date thereof either (i) by the Authority and by the Person and/or from the source specified in a Supplemental Resolution or (ii) without recourse to the Authority by the Person and/or from the source specified in a Supplemental Resolution.

"Qualified Swap" means, to the extent from time to time permitted by law, any cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction or agreement, other similar transaction (however designated) or any combination thereof, or any option with respect thereto, executed by the Authority with or guaranteed by a qualified swap counterparty either for asset or liability management purposes or otherwise pursuant to the Act or other applicable law. For purposes of this definition, **"qualified swap counterparty"** means a bank, insurance company or financial institution rated, or whose long-term obligations of any nature or claims paying ability are rated, at the time of execution in one of the two highest Rating Categories of any Rating Agency.

"Rating Agency" means, at any applicable time, Moody's, S&P, Fitch and any other nationally recognized rating agency, or any of them, as appropriate; provided, however, that the same maintains at such time a rating on the Bonds at the request of the Authority.

"Rating Category" means a generic rating category of an applicable Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon maturity or redemption thereof pursuant to the Resolution and the Supplemental Resolution pursuant to which the same was issued.

"Refunding Bonds" means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to the Resolution.

"Registrar" means the registrar for the Bonds of any Series, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.

"Reimbursement Obligation" means any obligation of the Authority to make payments to a provider of a Credit Facility in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance, loan or other payment made by such provider for the purpose of paying (i) the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or (ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Supplemental Resolution, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (a) any payments of any fees, expenses, or other similar obligations to any such provider, which payments shall be Administrative Expenses or (b) any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Subordinated Obligations. Reimbursement Obligations may be evidenced by Bonds designated as Bank Bonds, which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

"Reserve Fund Credit Facility" means (i) any irrevocable, unconditional letter of credit issued by a bank, national banking association or savings and loan association, (ii) any insurance policy providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and which is issued by a municipal bond or other insurance company, and (iii) any other similar financial arrangement as determined by Supplemental Resolution, and which is used to fund all or a portion of the Debt Service Reserve Requirement; provided, however, that at the time of acceptance by the Authority, the provider's long term obligations of any nature or claims paying ability are rated, by each Rating Agency then rating any Outstanding Bonds, no lower than the same Rating Category (for this purpose, taking into account refinements and gradations) as the Bonds are then rated by such Rating Agency.

"Revolving Credit Agreement" means the Revolving Credit Agreement dated March 20, 2014, by and among the Authority, Wells Fargo Bank, National Association, as Bank, and U.S. Bank National Association, as Administrative Agent and as Bank.

"Revolving Credit Loans" means loans made from time to time under the Revolving Credit Agreement.

"Resolution" means the Second Program General Bond Resolution adopted by the Authority on April 27, 1998, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof.

"S&P" means Standard and Poor's Rating Services, a division of the McGraw-Hill Companies, or any successor then maintaining a rating on any Bonds at the request of the Authority.

"Serial Bonds" means the Bonds which mature in annual or semi-annual installments of principal, which need not be equal and the first installment of which may be deferred, or Bonds so designated in a Supplemental Resolution.

"Series" or **"Series of Bonds"** or **"Bonds of a Series"** or words of similar meaning means the Series of Bonds authorized by a Supplemental Resolution.

"Series Certificate" means the certificate of determination of the Authority fixing terms, conditions and other details of a Series of Bonds in accordance with the delegation of power to do so under the General Bond Resolution and under an applicable Supplemental Resolution.

"Sinking Fund Installment" means, as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the Resolution or the applicable Supplemental Resolution or Series Certificate to be paid on a single future date for the retirement of any Outstanding Bonds of said Series that mature after said future date and which is unsatisfied as determined pursuant to the Resolution, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

"Sinking Fund Payment Date" means each date on which a Sinking Fund Installment is payable on the Bonds, provided that such date shall be a date on which a Sinking Fund Installment is payable as provided in or pursuant to each Supplemental Resolution.

"State" means the State of Tennessee.

"Subordinated Obligations" means any evidence of indebtedness (including but not limited to commercial paper), other than Bonds or related Reimbursement Obligations, issued by the Authority to finance Project Costs of a Project or any other

indebtedness issued, or other obligations entered into (including but not limited to Qualified Swaps not entered into on a parity with Bonds), pursuant to or as permitted by, and complying with, the provisions of the Resolution.

"Supplemental Resolution" means any resolution adopted by the Authority pursuant to and in compliance with the provisions of the Resolution providing for the issuance of a Series of Bonds, and shall also mean any other resolution adopted pursuant to and in compliance with the provisions of the Resolution amending or supplementing the provisions of the Resolution as originally adopted or as theretofore amended or supplemented.

"Term Bonds" means the Bonds so designated in a Supplemental Resolution and payable in part from Sinking Fund Installments.

"Trustee" means the bank, trust company or national banking association appointed pursuant to the Resolution to act as trustee under the Resolution, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the Resolution.

"Valuation Date" means with respect to any Capital Appreciation Bonds the date or dates set forth in the Supplemental Resolution authorizing such Bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds.

"Variable Interest Rate" means a variable interest rate or rates (or a multiple of a variable rate or rates of interest) to be borne by any Bond within a Series of Bonds. The method of computing such variable interest rate or rates shall be specified in the Supplemental Resolution authorizing such Series of Bonds. Such Supplemental Resolution shall also specify either (i) the particular period or periods of time for which such variable interest rate or rates (or a multiple of a variable rate or rates of interest) shall remain in effect or (ii) the time or times upon which any change in such variable interest rate or rates (or a multiple of a variable rate or rates of interest) shall become effective.

"Variable Interest Rate Bonds" means Bonds which bear a Variable Interest Rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate.

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SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS

The following is a brief summary of certain provisions of the Financing Agreements, summaries of certain other provisions of which are contained elsewhere in this Official Statement. This and such other summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the Financing Agreements, copies of which are available at the offices of the Authority and the Trustee. For definitions of certain terms used herein, see Appendix C - "GLOSSARY OF CERTAIN TERMS"; provided, however, that for purposes of this summary, the term "Resolution" means, collectively or individually as the context may require, the resolutions of the Authority authorizing the issuance of Debt including, without limiting the generality of the foregoing, the Higher Educational Facilities Second Program General Bond Resolution and any resolutions authorizing the issuance of notes or other obligations (including but not limited to commercial paper), in each case as amended and supplemented pursuant to the provisions thereof.

Approval of Projects and Project Costs

Each Project and Project Costs shall be subject to approval by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority.

A Project for an Institution shall be approved by the Authority only if the aggregate of the Fees and Charges collected by the Institution in the preceding Fiscal Year is no less than two times the amount required for the payment of the aggregate (without duplication) of (i) the maximum amount of the Annual Financing Charges payable and projected to be payable with respect to all Projects (including the Project to be approved) for the Institution in any succeeding Fiscal Year, plus (ii) the maximum amount payable by the Board as First Project Annual Financing Charges with respect to all First Program Projects for the Institution in any succeeding Fiscal Year, plus (iii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges with respect to the Institution in any succeeding Fiscal Year, including but not limited to all prior charges, pledges, liens and claims on or payable from the First Program Fees and Charges with respect to the Institution.

Project Funding

The Authority will use its best efforts to finance and refinance Project Costs by the issuance of Debt or from other available funds of the Authority, in a manner and under terms deemed by the Authority in its sole discretion to be in the best interests of the Institution for which the related Project is undertaken or used.

Project Construction Accounts; Reallocation of Balances

The Authority will establish a separate account (a "Project Construction Account") for each Project prior to or simultaneously with the issuance of the first Debt to finance related Project Costs. All Bond proceeds determined by the Authority to be available for the payment of Project Costs, shall be deposited in the respective Project Construction Accounts unless and to the extent otherwise provided by the Resolution.

The Authority may reallocate funds in any Project Construction Account derived from the sale of short-term Debt to other Project Construction Accounts as deemed necessary or advisable by the Authority. If long-term Debt has been sold to finance or refinance a Project, and funds in the related Project Construction Account are determined by the Authority in its sole discretion to be in excess of the amount needed for completion of the Project, the Authority shall apply such excess funds to the payment of the next scheduled debt service on Debt for such Project, to the redemption or defeasance of such Debt, or otherwise as permitted by law to the extent permitted by the Resolution.

Payment of Project Costs

Disbursement of funds on deposit in Project Construction Accounts will be made upon the submission of proper documentation from the Board approved by the Authority. Submission by the Board of a request for disbursement constitutes a representation by the Board that the expenses presented for payment constitute proper and valid charges related to the Project and constitute Project Costs, and that all covenants and representations made to the Authority with respect to the Project, whether in the Agreement or otherwise, continue to be true, complete and accurate.

Covenants and Representations

The Board covenants and represents with respect to each Project, among other things, that: (a) all necessary approvals or authorizations by the State (or any agency, subdivision or subentity) with respect to the Project have been or will be obtained; (b) the Board will neither (i) permit any encumbrance which materially affects the Board's ability to honor its commitments under the Financing Agreement nor (ii) assign the Financing Agreement or the Board's rights, title or interest in or to any Project; (c) the Board will operate, maintain and keep, or cause the operation, maintenance and functioning of, the Project in good repair and condition, including the provision of and payment for necessary utilities and insurance coverage in accordance with State policy; (d) the Board will comply with all laws, rules and regulations governing the Institution and the Project; and (e) the Board will take no action, nor will it fail to take any action, which would cause the Authority to violate any tax covenant with respect to any Project.

Annual Financing Charges; Administrative Fees; and Legislative Appropriations

For a summary of certain provisions of the Financing Agreements relating to the establishment, payment and subordination of Annual Financing Charges, Administrative Fees and Legislative Appropriations, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the Official Statement.

Interest of Debtholders

The Authority and the Board acknowledge that the existence and terms and provisions of the Agreement serve as an inducement to Debtholders to purchase, and serve to secure, Debt. Accordingly, all covenants and agreements of the Authority and the Board under the Financing Agreement are declared therein to be for the benefit of such holders. Notwithstanding the foregoing, such holders shall have no right under the Financing Agreement to directly enforce the Financing Agreement, but may do so only to the extent permitted and as provided by the related Resolution.

Assignments

The Board authorizes the Authority to pledge, assign, and transfer its right to receive and collect Annual Financing Charges, Administrative Fees, and Legislative Appropriations, together with its rights to enforce the Financing Agreement. The Authority has pledged and assigned the Annual Financing Charges and Legislative Appropriations to the Trustee for the benefit of the holders of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and has granted the Trustee the legal right to enforce such pledge and assignment and the provisions of the Agreements providing for the payment thereof. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Pledge and Assignment of Annual Financing Charges and Legislative Appropriations" in the Official Statement.

Amendment

Any provision of the Financing Agreement may be amended by agreement of the Authority and the Board; provided, however, that no such amendment shall adversely affect or impair in any way (i) the obligation of the Board to pay Annual Financing Charges or Administrative Fees, or (ii) the deduction from appropriations, and payment to the Authority, of Legislative Appropriations required to pay Annual Financing Charges, in the case of each of clauses (i) and (ii) at the times, in the manner and in the amounts provided in the Agreement, or (iii) any provision of the Agreement made or provided for the purpose of assuring payment of such Annual Financing Charges or Administrative Fees.

Additional Information

The Board agrees to furnish to the Authority such additional information concerning the financial condition of the Board and any Institution as the Authority may from time to time reasonably request including, without limiting the generality of the foregoing, as and to the extent that the Authority shall determine that disclosure of such information is necessary in order to comply with any undertakings made by the Authority pursuant to Rule 15c2-12 of the Securities and Exchange Commission or with any other applicable legal requirements.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution, summaries of certain other provisions of which are contained elsewhere in this Official Statement. This and such other summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the Resolution, copies of which are available at the offices of the Authority and the Trustee. For definitions of certain terms used herein, see Appendix C - "GLOSSARY OF CERTAIN TERMS".

Authorization

The Resolution authorizes the issuance of Bonds in Series pursuant to Supplemental Resolutions, for any purpose authorized by the Act. For a summary of the conditions for the issuance of Bonds and their security and sources of payment, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the Official Statement.

Pledge and Assignment of Annual Financing Charges and Legislative Appropriations

The Annual Financing Charges and Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, which are to be transferred to the Funds or Accounts held by the Trustee, if any, are pledged and assigned to the Trustee for the benefit of the Owners of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and the Trustee shall have the legal right to enforce such assignment. Regardless of such pledge and assignment, the Trustee shall have the legal right to enforce the provisions of the Agreements providing for the payment thereof in the manner provided in the Financing Agreements and the Resolution.

The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Annual Financing Charges, Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, and other moneys, securities, funds and property pledged and assigned under the Resolution and all the rights of the Bondowners under the Resolution against all claims and demands of all Persons whomsoever.

Certain Provisions Relating to Credit Facilities, Qualified Swaps and Other Arrangements

The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate, including but not limited to:

- (1) So long as the Credit Facility provides security and not merely liquidity, that the providers thereof shall have all or any of the rights and remedies of the Owners of the Bonds to which such Credit Facility relates and that the related Reimbursement Obligations shall have all or any of the payment, security and other rights applicable to the Bonds to which such Reimbursement Obligations relate.
- (2) In the event that the principal, Sinking Fund Installments, if any, and Redemption Price of and interest due on any Bonds Outstanding shall be paid under the provisions of a Credit Facility, the issuer of such Credit Facility shall be subrogated to the rights of such Bondowners in accordance with the terms of such Credit Facility.
- (3) Interest on any Reimbursement Obligation calculated at any rate, whether or not higher than the interest rate on the related Bond, and principal amortization requirements with respect to such Reimbursement Obligation, may be secured by a pledge of and a lien on any of the items pledged in the Resolution for the security of the Bonds on a parity with the lien created by the Resolution. A Reimbursement Obligation shall not be secured by the Debt Service Reserve Fund unless the Bonds to which it relates are so secured. Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be Subordinated Obligations payable from the General Fund. All Reimbursement Obligations shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Reimbursement Obligations relates. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds."

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps relating to such Bonds. The Authority's obligation to make any payment under any Qualified Swap may be secured by a pledge of, and a lien on, the items pledged in the Resolution for the security of the Bonds on a parity with the lien created by the Resolution or be payable from or secured by amounts on deposit in the Debt Service Fund or Debt Service Reserve Fund, or shall constitute Subordinated Obligations payable from the General Fund, as determined by the Authority; provided, however, that any optional or mandatory termination payments shall constitute Subordinated Obligations. If a Qualified Swap is payable from and/or secured by the Debt Service Fund and Debt Service Reserve Fund, the Authority may provide by Supplemental Resolution for a recalculation of the Debt Service Reserve Requirement for any Bonds to take into account the Authority's debt service payment obligations on such Bonds as affected by such Qualified Swap.

Funds and Accounts

For a description of the flow of funds under the Resolution and of the application of the Debt Service Fund and Debt Service Reserve Fund, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Flow of Funds" and "- Debt Service Reserve Fund" in the Official Statement.

Construction Fund

The Authority shall establish in the Construction Fund, to be held by the State Treasurer or, at the direction of the State Treasurer, a separate custodian, a separate Account with respect to each Project. As promptly as practicable after the delivery of any Series of Bonds or Subordinated Obligations to pay Project Costs, the Authority shall deposit into each Project Construction Account the amount of the proceeds derived from the sale of such Series of Bonds or Subordinated Obligations, if any, as shall be directed by or pursuant to the Supplemental Resolution or other resolution or indenture authorizing the issuance thereof. Moneys on deposit in or credited to a Project Construction Account shall be used by the Authority for payment of the Project Costs of the Project to which the Project Construction Account relates. The Authority may transfer from a Project Construction Account to the General Fund such amounts as the Authority shall determine is necessary to pay Administrative Expenses of the Authority chargeable to the Project to which such Project Construction Account relates.

Upon completion of a Project the moneys, if any, remaining in the Project Construction Account for such Project, after making provision for the payment of allocable Administrative Expenses and Project Costs then unpaid, either shall be reallocated by the Authority to other Projects in accordance with the Financing Agreements or shall be applied (or, if the Debt Service Fund is then held by the Trustee, transferred by the State Treasurer to the Trustee and applied by the Trustee) as directed by the Authority to the payment of principal, Sinking Fund Installments, if any, or Redemption Price of or interest on Bonds issued for the related Project.

Capitalized Interest Accounts

The Supplemental Resolution authorizing any Series of Bonds may establish a separate Account within the Debt Service Fund for each Project. Moneys in the Capitalized Interest Accounts shall be used, to the extent sufficient therefor, for the purpose of paying interest on the Series of Bonds in respect of which such moneys have been set aside, either directly therefrom or by transfer to the Debt Service Fund, prior to the payment of such interest from Annual Financing Charges.

Investment of Funds and Accounts

Moneys in all Funds and Accounts shall be invested in Investment Obligations, except as may be otherwise limited by Supplemental Resolution.

Unexpended Bond proceeds and all Annual Financing Charges, Administrative Fees, and Legislative Appropriations, and investment earnings allocable thereto, held in Project Construction Accounts or in other Funds or Accounts, may be commingled for investment purposes either as a separate fund or as part of a common fund with other moneys of the Authority or the State, or otherwise; provided that (i) such investments and the income or interest earned, profits realized or losses suffered thereby shall be allocated and credited to the appropriate Funds or Accounts or otherwise in accordance with Authority and State policy, and (ii) all Funds and Accounts so commingled for investment purposes shall nevertheless be accounted for separately as required by the Resolution. Notwithstanding the foregoing, moneys on deposit with the State Treasurer (other than in connection with defeasance) may be invested at a rate or return fixed from time to time pursuant to State policy, without the necessity of allocating and crediting any particular investment (but only an amount invested) and without regard to actual investment, income, interest, profits or losses.

Except as otherwise provided in the Resolution, the Trustee or the State Treasurer, as the case may be, shall sell at the best price obtainable by the Trustee or the State Treasurer, as the case may be, through its ordinary and customary practices, or present for redemption or exchange, or as directed in writing by the Authority, any Investment Obligation held by it in any Fund or Account whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made.

Certain Covenants of the Authority

For a description of the agreement of the Authority on behalf of the State, pursuant to the Act, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Statutory Covenant" in the Official Statement.

Creation of Liens. Until the pledge created in the Resolution shall be discharged and satisfied as provided therein, the Authority shall not issue any bonds or other evidences of indebtedness, other than the Bonds (or any related Reimbursement Obligations) secured by a prior or equal pledge of the Annual Financing Charges, Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, or any moneys and securities in the Debt Service Fund and Debt Service Reserve Fund, and shall not create or cause to be created any lien or charge equal or prior to the Bonds (or any related Reimbursement Obligations) on Annual Financing Charges Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, in each such case except as permitted by the Resolution, or on any moneys and securities in the Debt Service Fund and Debt Service Reserve Fund.

Tax Exemption. The Authority may include in the applicable Supplemental Resolution for any Series of Bonds any and all covenants necessary or appropriate to maintain the exclusion from gross income for purposes of federal income taxation of interest on such Bonds. See "TAX MATTERS" in the Official Statement. The Authority may issue Bonds the interest on which is not intended to be excluded from gross income, and therefore may be taxable, for purposes of federal income taxation.

Compliance with and Amendment of Financing Agreements. The Authority will at all times comply with the covenants, terms and conditions of the Financing Agreements and shall take all steps, actions and proceedings as may be necessary in order to require compliance by the Boards with the covenants, terms and conditions thereof, the breach of which would in any way materially adversely affect or impair the obligation of the Boards to pay Annual Financing Charges and Legislative Appropriations at the times and in the manner and amounts provided in the Financing Agreements.

The Authority will not amend any Financing Agreement in any manner that would materially adversely affect or impair the obligation of the applicable Board to pay Annual Financing Charges or Legislative Appropriations at such times, in such manner and in such amounts sufficient, together with other moneys available for the purpose, to pay the principal of and Sinking Fund Installments and interest on the Bonds as the same becomes due and payable, but reserves the right to amend the Financing Agreements in any other respect without the consent of any Fiduciary or any Bondowner.

Supplemental Resolutions; Amendments

The Authority may at any time or from time to time adopt Supplemental Resolutions without the consent of Bondowners and, except as may be agreed to in or in connection with any Credit Facility or Qualified Swap, the provider of any Credit Facility or Qualified Swap, for any one or more of the following purposes: (1) to authorize Bonds of a Series and, in connection therewith, specify and determine any matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect; (2) to establish for any Series of Bonds a separate Account in the Debt Service Reserve Fund which shall be permitted to be applied solely to the payment of Bonds of such Series, provided that (i) the Bonds of such Series shall have no claim or lien on nor be payable from any other amounts in the Debt Service Reserve Fund, (ii) the Bonds of such Series shall be excluded from the calculation of the Debt Service Reserve Requirement for all other Outstanding Bonds, and (iii) the amount required to be on deposit in such separate Accounts shall be specified or calculated in a manner specified in the Supplemental Resolution authorizing the Bonds of such Series, but in no event shall such amount, after giving effect to any Reserve Fund Credit Facility deposited in any such separate Account in the Debt Service Reserve Fund, be in excess of the amount that would otherwise be the Debt Service Reserve Requirement for such Series of Bonds assuming that such Series of Bonds were the only Series of Bonds Outstanding under the Resolution; (3) to modify, amend or supplement the Resolution in any manner in order to obtain or provide for or with respect to a Credit Facility, Reserve Fund Credit Facility or Qualified Swap with respect to any Series of Bonds, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the rights of the Owners of Outstanding Bonds; (4) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution as theretofore in effect; (5) to add to the Resolution any provisions relating to the application of interest

earnings in any Fund or Account required by law to preserve the exclusion from gross income for Federal income tax purposes of interest received on any Bonds then Outstanding or to be issued or the exemption of interest received on such Bonds from State income taxation; (6) to modify or eliminate any Debt Service Reserve Requirement in excess of the minimum required therefor as provided in the definition thereof; (7) to modify, amend or supplement the Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute, or to permit the qualification of any Bonds for sale under the securities laws of any of the states of the United States of America, and to add such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar Federal statute; (8) with the consent of the Trustee, (i) to cure any ambiguity, or defect or inconsistent provision in the Resolution, or (ii) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect; or to make any other modification or amendment of the Resolution which the Trustee shall in its sole discretion determine will not have a material adverse effect on the rights of Bondowners, provided that in making any such determination, the Trustee may conclusively rely upon a Counsel's Opinion or certificate of any Person deemed by the Trustee in its sole discretion to be reliable; (9) to comply with the requirements of any Rating Agency in order to maintain or improve a rating on the Bonds by such Rating Agency; or (10) to modify any of the provisions of the Resolution in any respect whatsoever, provided that such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution either shall cease to be Outstanding or the Owners of the requisite percentage of the principal amount of such Bonds shall have consented thereto.

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Owners of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent (a) of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Owners of one hundred percent (100%) in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, (b) permit the creation of any pledge, lien, charge or encumbrance of or upon any of the items purported to be pledged pursuant to the Resolution, which pledge, lien, charge or encumbrance would be prior to, or of equal rank with, the pledge or source of payment for the Bonds created by the Resolution, without the consent of the Owners of all Outstanding Bonds affected by such change, or deprive any Owner of any Outstanding Bond of the benefit of such pledge or source of payment for the Bonds, without the consent of such Owner, except as permitted by the Resolution, (c) create, with respect to the pledge of the items set forth in the Resolution, a preference or priority of any Bond over any other Bond without the consent of each Owner of a Bond affected by such change, or (d) reduce the percentages of the Bonds the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment. For such purposes, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds. The Trustee may receive an opinion of counsel, including a Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

Notwithstanding anything in the Resolution to the contrary, the consent of Owners of any Series of additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment; provided, however, that such modification, amendment and consent are disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold to the public.

For purposes of amendments to the Resolution, but only so long as the Credit Facility provider has not defaulted on its obligations under the Credit Facility, (i) the provider of a Credit Facility shall be considered the sole Owner of all Bonds to which such Credit Facility relates, except as otherwise provided in an applicable Supplemental Resolution, and (ii) any amendment provision of the Resolution may be waived by such provider with respect to its consent to any amendment, by an instrument in writing filed with the Authority and the Trustee.

The Authority shall furnish written notice to each Rating Agency of any amendment, change or modification of the Resolution.

Events of Default

Each of the following events is an "Event of Default": (1) the Authority shall default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for mandatory redemption or otherwise, which default shall continue for a period of thirty (30) days; (2) the pledge created in the Resolution shall, at any time and for any reason, cease to be in full force and effect or a judgment or order of any court of competent jurisdiction, or of any arbitrator or panel of arbitrators, as to which all appeals have been exhausted, shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in any material respect the lien it purports to establish, or that the pledge is not for the exclusive benefit of the Owners of the Bonds, except as provided in or permitted by the Resolution; (3) the Authority shall fail or refuse to comply with the provisions of the Act as then in effect, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of ninety (90) days after written notice thereof (specifying such default and requiring that such notice is a "Notice of Default" hereunder) is given to the Authority by the Trustee or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds; however, in the event that the default be such that it cannot be corrected within such ninety (90) day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and diligently pursued (as determined by the Trustee) until the default is corrected; (4) a court having jurisdiction in the premises shall enter a decree or order providing for relief in respect of the Authority or either Board in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Authority or either Board, or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of ninety (90) days; or (5) the Authority or either Board shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Authority or either Board, or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any action in furtherance of the foregoing.

Notwithstanding the foregoing, nothing in the Resolution shall preclude the Authority from seeking and obtaining from the General Assembly a change in law, to limit, modify, rescind, repeal or otherwise alter the character of the pledged items or to substitute like or different sources of fees, charges, appropriations or other receipts as pledged revenues if and when adequate provisions shall be made by law for the protection of the Owners of Outstanding Bonds pursuant to the proceedings under which the Bonds are issued, including changing or altering the method of establishing fees, charges and appropriations as contemplated by the Act. The Authority (or the Trustee at the request of the Authority) shall mail to the Bondowners notice of any such change or alteration pursuant to such proviso. The Authority shall file with the Trustee, or the Trustee shall retain on file, proof of their respective mailing of such notice to Bondowners. Such change or alteration shall be deemed conclusively binding upon the Authority, each Fiduciary and the Owners of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the mailing of notice referred to above, except in the event of a final decree of a court of competent jurisdiction setting aside such change or alteration in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period.

Remedies

Upon the happening and continuance of (i) any Event of Default specified in clause (1), (4) or (5) of the first paragraph under "Events of Default" above, the Trustee shall proceed, and (ii) any other Event of Default, the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or if the Event of Default arises from the failure of the Authority to duly and punctually perform the tax covenants contained in the Resolution, twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series affected thereby, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (1) by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the Bondowners, including the right to require the Authority to enforce the Agreements and collect the Annual Financing Charges and Legislative Appropriations payable thereunder, or to carry out any other covenant or agreement with Bondowners under the Resolution and to perform its duties under the Act, the Agreements and the Resolution; (2) bring suit upon the Bonds; (3) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; (4) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of

the Owners of the Bonds; or (5) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Owners of not less than twenty-five percentum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and consequences, but no such annulment shall extend to or effect any subsequent default or impair or exhaust any right or power consequent thereon.

All remedies conferred upon or reserved to the Owners of Bonds under the Resolution may be conferred upon and reserved in lieu thereof to the provider of a related Credit Facility authorized by a Supplemental Resolution. Nothing herein shall preclude the Authority from providing in an applicable Supplemental Resolution, or in any Credit Facility authorized thereby, that the exercise of any remedy hereunder or the waiver of any Event of Default hereunder by the Trustee or the Owner of any such Bond shall be subject to the prior written consent of the provider of any related Credit Facility.

No Owner of any Bond shall have any right to institute any suit, action, or other proceeding hereunder, or for the protection or enforcement of any right under the Resolution or any right under law unless such Owner shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

In the case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Authority, the Board or any Institution, or any property of the Authority, the Board or any Institution, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Authority for the payment of overdue principal and interest) shall be entitled and empowered, by intervention in such proceeding or other means (1) to file and prove a claim for the whole amount of the principal, Redemption Price, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Owners allowed in such proceeding; and (2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same.

Prior to the declaration of maturity of the Bonds as provided in the Resolution, the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium, if any, on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

The Trustee shall promptly mail to the Bondowners notice of each Event of Default hereunder known to the Trustee within fifteen (15) Business Days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of the principal, Sinking Fund Installment, if any, or Redemption Price, if any, of or interest on any of the Bonds, or in the making of any payment required to be made into the Debt Service Fund or the Debt Service Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondowners.

Defeasance

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect of the Resolution, subject to an election of the Authority to the contrary. Any Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect, but subject to such election, of the Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Registrar instructions accepted in writing by the Registrar to give notice of redemption, as provided in the Resolution, on said date of such Bonds (other than Bonds which have been purchased by a Paying Agent at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to a Paying Agent as hereinafter provided prior to the mailing of such notice of redemption), (b) there shall have been deposited with any Paying Agent either (i) moneys in an amount which shall be sufficient, or

(ii) Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such Paying Agent at the same time, shall be sufficient to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Registrar in form satisfactory to it instructions to mail, as soon as practicable, a notice to the Owners of such Bonds, at their last addresses appearing upon the registry books at any time (but not more than fifteen (15) days) prior to such mailing, that the deposit required by (b) above has been made with a Paying Agent and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds (other than Bonds which have been purchased by a Paying Agent at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to a Paying Agent prior to the mailing of the notice of redemption referred to in clause (a) hereof). Such Paying Agent shall, as and to the extent necessary, apply moneys held by it pursuant to this Section to the retirement of Bonds in amounts equal to the unsatisfied balances (determined as provided in Section 604) of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the Resolution.

Unclaimed Moneys

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Bonds which remain unclaimed for three years (or such other period as may at the time be prescribed by the laws of the State) after the date when such principal, Redemption Price or interest, respectively, became due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years (or such other period as may be prescribed by the laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such principal, Redemption Price or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Authority for the payment of such Bonds.

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Offered Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Offered Bond documents. For example, Beneficial Owners of the Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to

obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds of a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of such series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption premium, if any, payments on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or any Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Authority or any Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or any Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Offered Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

THE FOREGOING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NONE OF THE AUTHORITY, TRUSTEE, REGISTRAR, PAYING AGENT OR UNDERWRITERS CAN MAKE ANY ASSURANCE THAT DTC OR THE DTC PARTICIPANTS WILL ACT IN A MANNER DESCRIBED HEREIN, NOR WILL THEY HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC ANY DIRECT DTC PARTICIPANT, OR BY ANY DIRECT DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM IF ANY, OR INTEREST ON OFFERED BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC OR ANY DTC PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATIONS TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND DOCUMENTS TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF OFFERED BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE OFFERED BONDS.

So long as Cede & Co. is the registered owners of the Offered Bonds, as nominee for DTC, references in the Official Statement to the Bondholders or registered owners of the Offered Bonds (other than under the caption "Tax Matters" in the Official Statement) shall mean Cede & Co. or any other DTC nominee, as aforesaid, and shall not mean the Beneficial Owners of the Offered Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE UNDERTAKING

The following is a brief summary of certain provisions of the Continuing Disclosure Undertaking. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Continuing Disclosure Undertaking, copies of which are available at the offices of the Authority. For definitions of certain terms used but not defined herein, see Appendix C - "GLOSSARY OF CERTAIN TERMS".

The Authority has authorized a Continuing Disclosure Undertaking (the "Undertaking") with respect to the Offered Bonds to assist the Underwriters in complying with U.S. Securities and Exchange Commission ("SEC") Rule 15C2-12 (the "Rule"). In the Undertaking, the Authority will agree to provide the Annual Financial Information described below with respect to each fiscal year of the Authority, commencing with the fiscal year ending June 30, 2014, by no later than 7 months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board ("MSRB").

"Annual Financial Information" means updated versions of the following financial information and operating data contained in the Official Statement relating to the Offered Bonds with respect to the Authority, for each fiscal year of the Authority:

- Outstanding Second Program Bonds (see "The Authority – Outstanding Second Program Bonds of the Authority")
- Authorized and Outstanding Commercial Paper (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Commercial Paper")
- Tennessee Consolidated Retirement System financial information and operating data and Higher Education Employer Contributions (see "TENNESSEE PUBLIC HIGHER EDUCATION – Employee Retirement Benefits")
- Other Post-Employment Benefits unfunded liabilities and annual required contributions (see "TENNESSEE PUBLIC HIGHER EDUCATION – Other Post-Employment Benefits")
- Appendix B – Selected Statistical Information

The descriptions contained above are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided in lieu of such information.

Annual Financial Information will include the annual financial statements of the Authority, audited by such auditors as shall then be required or permitted by State law ("Audited Financial Statements"), if available, or unaudited financial statements. If not provided as part of Annual Financial Information by the date referred to above because they are not available, the Authority will provide Audited Financial Statements, when and if available, to the MSRB. Audited Financial Statements will be prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them ("GAAP").

Annual Financial Information also will include the annual financial statements of the State, including component unit reporting of The University of Tennessee system and the Board of Trustees of the University of Tennessee, and of the State University and Community College System of the State of Tennessee and the Tennessee Board of Regents, showing information of the type described in the Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal year 2013-2014, in each case audited by such auditors as shall then be required or permitted by State law, if available. If not provided as part of Annual Financial Information by the date referred to above because they are not available, the Authority will provide such audited financial statements, when and if available, to the MSRB. Such audited financial statements will be prepared in accordance with GAAP.

In the Undertaking, the Authority also agrees to provide, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of each of the following events with respect to the Offered Bonds, to the MSRB:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds;
- (vii) modifications to rights of Offered Bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;

(Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.)

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Authority will also provide, in a timely manner, notice of any failure of the Authority to provide the Annual Financial Information by the date specified above to the MSRB.

Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

The Undertaking will be effective upon the issuance of the Offered Bonds and will terminate upon the legal defeasance, prior redemption or payment in full of all of the Offered Bonds. The Undertaking, or any provision thereof, shall be null and void in the event that the Authority (i) receives an opinion of counsel to the effect that those portions of the Rule which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Offered Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) delivers copies of such opinion to the MSRB. The Undertaking may be amended without the consent of the holders of the Offered Bonds in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules and regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby, or if an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, which is applicable to the

Undertaking, in each case subject to certain additional requirements, all as described in the Undertaking. Copies of any such amendment are required to be delivered to the MSRB.

The provisions of the Undertaking shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Offered Bonds, except that beneficial owners of Offered Bonds shall be third-party beneficiaries of the Undertaking and shall be deemed to be holders of Offered Bonds for purposes of the next sentence. The obligations of the Authority to comply with the provisions of the Undertaking are enforceable by any holder of outstanding Offered Bonds; the holders' rights to enforce the provisions of the Undertaking are limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under the Undertaking. Any failure by the Authority to perform in accordance with the Undertaking will not constitute a default or an event of default under the resolutions authorizing the Offered Bonds or State law and shall not result in any acceleration of payment of the Offered Bonds, and the rights and remedies provided by such resolutions and applicable State law upon the occurrence of such a default or an event of default shall not apply to any such failure.

The Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent the Undertaking addresses matters of federal securities laws, including the Rule, the Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

Certain financial information and operating data required to be filed within the five (5) years preceding the date of this Official Statement with nationally recognized municipal securities repositories pursuant to previous Rule 15c2-12 continuing disclosure undertakings by the Authority were not timely filed but have since been filed with the MSRB through EMMA. This included, for fiscal year ending June 30, 2012, (a) the information in the tables entitled (i) "Disclosed TSSBA Funded Capital Projects" and (ii) "Comparison of Tennessee Undergraduate Universities to Southern Regional Education Board Median Annual Undergraduate Tuition and Required Fees", and (b) Tennessee Consolidated Retirement System financial information and operating data and Higher Education Employer Contributions, and Other Post-Employment Benefits unfunded liabilities and annual required contributions. The Authority agreed to make such filings by January 31, 2013; however, the tables referred to in (a) and (b) in the preceding sentence were posted on EMMA on August 12, 2013 and October 3, 2013, respectively. In addition, certain available individual institution audit reports were not timely filed with EMMA, but have since been filed in all instances and in any event were and are available on the website of the Tennessee Comptroller of the Treasury. In its continuing disclosure undertakings, the Authority has agreed to file annual financial statements of the State when and if available. For the fiscal years ending June 30, 2009 and June 30, 2010, completion of the annual financial statements of the State was delayed as a result of the implementation of new financial software. Although such statements were filed on EMMA when completed, they were inadvertently not linked on EMMA to the Authority's bonds. Such statements have been since linked to the Authority's bonds. Rating downgrades on the insurer of several series of its outstanding bonds (2005 Series A, 2005 Series B, 2006 Series A, 2007 Series A, 2007 Series B, and 2007 Series C) were not the subject of material event notices due, in part, to the lack of any direct notification to the Authority of the specific rating impact on such bonds. Notice of such rating downgrades have since been filed on EMMA for all affected series. Finally, the material event notice with respect to the 2010 recalibration of the Authority's credit rating by Fitch was filed 17 days after the Fitch rating recalibration. The Authority believes that this filing was timely under the terms of its then-effective continuing disclosure agreements, which required that material event filings be made promptly (the Rule was subsequently amended to impose a 10-day window for filing notices of material events related to credit rating changes).

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FORM OF PROPOSED OPINION OF BOND COUNSEL

August 27, 2014

Tennessee State School Bond Authority
Nashville, Tennessee

TENNESSEE STATE SCHOOL BOND AUTHORITY
HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM BONDS
2015 REFUNDING SERIES A (FEDERALLY TAXABLE), \$ _____
2015 REFUNDING SERIES B, \$ _____
2015 SERIES C, \$ _____

Dear Sirs:

At your request, we have examined into the validity of \$ _____ principal amount of Higher Educational Facilities Second Program Bonds, 2015 Refunding Series A (Federally Taxable) (the "2015A Bonds"), \$ _____ principal amount of Higher Educational Facilities Second Program Bonds, 2015 Refunding Series B (the "2015B Bonds") and \$ _____ principal amount of Higher Educational Facilities Second Program Bonds, 2015 Series C (the "2015C Bonds" and, collectively with the 2015A Bonds and 2015B, the "2015 Bonds"), of the Tennessee State School Bond Authority (the "Authority"), a corporate agency and instrumentality of the State of Tennessee (the "State").

The 2015 Bonds are issued under and pursuant to the Tennessee State School Bond Authority Act (Section 49-3-1201 et seq., Tennessee Code Annotated) as amended to date (the "Act"), the Higher Educational Facilities Second Program General Bond Resolution adopted by the Authority on April 27, 1998, as amended to date (the "General Resolution") and a Supplemental Resolution of the Authority adopted on February 26, 2015 (the "Supplemental Resolution" and, collectively with the General Resolution, the "Resolution").

We have examined the Constitution and laws of the State; certified copies of proceedings of the Authority authorizing the issuance of the 2015 Bonds, including the Resolution; a certified copy of a Second Program Financing Agreement by and between the Authority and the Board of Trustees of The University of Tennessee (the "Board of Trustees") dated as of November 1, 1997, as amended and restated as of May 9, 2013; a certified copy of a Second Program Financing Agreement by and between the Authority and the Board of Regents of the State University and Community College System of the State of Tennessee (the "Board of Regents" and, together with the Board of Trustees, the "Boards") dated as of November 1, 1997, as amended and restated as of May 9, 2013; certified copies of proceedings of the Authority authorizing the execution and delivery of said Second Program Financing Agreements (collectively, the "Second Program Financing Agreements"); such other instruments, documents, certificates and proceedings, and applicable law, as we have considered appropriate for purposes of this opinion; and a specimen 2015 Bond of each series.

Based on the foregoing, we are of the opinion that:

1. The Authority has the right and power under the Act to adopt the Resolution and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable against the Authority in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Annual Financing Charges and Legislative Appropriations (as each is defined in the Resolution), and all rights under the Second Program Financing Agreements or otherwise to receive the same, and moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.
2. The 2015 Bonds have been duly and validly authorized and issued in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolution, and are entitled to the benefits of the Resolution and of the Act. The 2015 Bonds are valid and binding obligations of the Authority as provided in the Resolution, and are enforceable against the Authority in accordance with their

terms and the terms of the Resolution, payable solely from the Annual Financing Charges, Legislative Appropriations and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purpose and on the conditions permitted by the Resolution. The Authority reserves the right to issue additional bonds on the terms and conditions, and for the purposes, provided in the General Resolution, on a parity of payment and security with the 2015 Bonds; provided, however, that as permitted by the General Resolution, certain series of bonds issued thereunder may not be payable from or secured by the Debt Service Reserve Fund on the same basis as others, and may not have any amount made available under the Resolution as a debt service reserve therefor (which initially is the case with the 2015 Bonds). The Authority has no taxing power, the State is not liable on the 2015 Bonds and the 2015 Bonds are not a debt of the State.

3. The Second Program Financing Agreements have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid contractual obligations of the Authority. You have received opinions of counsel to the Board of Regents and counsel to the Board of Trustees to the effect that the respective Second Program Financing Agreements have been duly executed and delivered by the respective Boards and constitute valid contractual obligations thereof, and we express no opinion herein with respect thereto. The State has not waived the immunity of the State (including, for this purpose, the Authority and the Boards) from suit or extended its consent to be sued with respect to the Second Program Financing Agreements. Accordingly, monetary actions against the State (including the Authority and the Boards) for breach of contractual obligations relating to the Financing Agreements may be heard and determined under current law exclusively in the Tennessee Claims Commission, an administrative tribunal, where liability may be limited to actual damages and certain costs.
4. Under the existing laws of the State, the 2015 Bonds and income therefrom are free from taxation by the State or any county, municipality or political subdivision of the State, except for estate and gift taxes and taxes on transfers, and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State.
5. Interest on the 2015A Bonds is includable in gross income for Federal income tax purposes.
6. Under existing statutes and court decisions, (i) interest on the 2015B Bonds and 2015C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and (ii) when interest on the 2015B Bonds and 2015C Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinions in this paragraph 6, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certification of fact, contained in certifications delivered on the date hereof by the Authority, the Boards and others with respect to the use of proceeds of the 2015B Bonds and 2015C Bonds and the investment of certain funds, and other matters affecting the exclusion of interest on the 2015B Bonds and 2015C Bonds from gross income for Federal income tax purposes under Section 103 of the Code, and (ii) compliance by the Authority and the Boards with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the 2015B Bonds and 2015C Bonds from gross income under Section 103 of the Code.

The opinions expressed in paragraphs 1, 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law.

We express no opinion herein as to (i) Federal, state or local tax consequences arising with respect to the 2015 Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4, 5 and 6 above, (ii) Federal, state or local tax matters to the extent affected by any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves, or (iii) the accuracy, adequacy, sufficiency or completeness of the Official Statement (or any update or amendment thereof or supplement thereto) of the Authority relating to the 2015 Bonds, or any

other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the 2015 Bonds.

This letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred.

This letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances, or changes in law or in interpretations thereof, that may hereafter occur, or for any other reason

Very truly yours,

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TENNESSEE STATE SCHOOL BOND AUTHORITY
HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM BONDS,
\$132,450,000 2014 SERIES A (FEDERALLY TAXABLE)
\$212,200,000 2014 REFUNDING SERIES B

BOND PURCHASE AGREEMENT

August 7, 2014

Tennessee State School Bond Authority
Nashville, Tennessee

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the "**Representative**"), on behalf of itself and the other underwriters listed in Appendix I attached hereto (collectively, the "**Underwriters**"), hereby offers to enter into this Bond Purchase Agreement (the "**Purchase Agreement**") with the Tennessee State School Bond Authority (the "**Issuer**") for the purchase by the Underwriters and the sale by the Issuer of the Issuer's bonds captioned above and specified below. This offer is made subject to acceptance thereof by the Issuer prior to 6:30 p.m., prevailing time in Nashville, Tennessee, on the date hereof, and, upon such acceptance, evidenced by the signature of a duly authorized officer of the Issuer in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer and the Underwriters.

Capitalized terms used herein and not defined herein shall have the meanings given them in the Higher Educational Facilities Second Program General Bond Resolution adopted by the Issuer on April 27, 1998 (the "**General Bond Resolution**") authorizing the issuance thereunder from time to time of Higher Educational Facilities Second Program Bonds, a Supplemental Resolution Amending General Bond Resolution adopted by the Issuer on July 26, 2004 (the "**2004 Amending Resolution**"), a Supplemental Resolution Amending General Bond Resolution and Authorizing Amendment of Financing Agreements adopted by the Issuer on May 9, 2013 (the "**2013 Amending Resolution**"), and a Supplemental Resolution adopted by the Issuer on June 18, 2014, including as a part thereof the 2014 Bonds Series Certificate (the "**Supplemental Resolution**", and together with the General Bond Resolution, the 2004 Amending Resolution and the 2013 Amending Resolution, as further amended and supplemented from time to time, the "**Resolution**") authorizing the issuance of the Issuer's Higher Educational Facilities Second Program Bonds, 2014 Series A (Federally Taxable) (the "**2014A Bonds**"), and Higher Educational Facilities Second Program Bonds, 2014 Refunding Series B (the "**2014B Bonds**" and collectively with the 2014A Bonds, the "**Bonds**").

A. **Purchase Price**

1. Upon the terms and conditions and upon the basis of the representations and warranties herein set forth, the Underwriters hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriters, all (but not less than all) of the Issuer's: (i) 2014A Bonds, in the original aggregate principal amount of \$132,450,000.00, at an aggregate purchase price of \$132,294,587.58 (the "**2014A Bonds Purchase Price**"),

representing the aggregate principal amount of the 2014A Bonds, less underwriters' discount of \$104,043.52, less reoffering discount of \$51,368.90; and (ii) 2014B Bonds, in the original aggregate principal amount of \$212,200,000.00, at an aggregate purchase price of \$253,137,778.26 (the "**2014B Bonds Purchase Price**", and collectively with the 2014A Bonds Purchase Price, the "**Purchase Price**"), representing the aggregate principal amount of the 2014B Bonds, less underwriters' discount of \$153,142.04, plus reoffering premium of \$41,090,920.30. The Bonds shall be dated the date of delivery (the "**Dated Date**") and shall mature on the dates, bear interest payable commencing on November 1, 2014, at the rates and be subject to optional and mandatory redemption prior to maturity all as set forth in the Official Statement (hereinafter defined) and in part on Appendix II attached hereto. The Bonds shall be payable at the times and in the manner, and shall otherwise have the terms and provisions, set forth in the Official Statement.

2. If the Issuer accepts this offer and if the Underwriters fail (other than for a reason permitted hereunder) to accept and pay for all or any of the Bonds upon tender thereof by the Issuer at the Closing as herein provided, the parties hereby agree that the damages to the Issuer shall be fixed at one percent (1%) of the aggregate principal amount of the Bonds, and, upon such failure of the Underwriters to accept and pay for the Bonds, the Underwriters shall be obligated to pay to the Issuer such amount as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters. Upon such payment, the Underwriters shall be fully released and discharged of all claims, rights and damages for such failure and for any and all such defaults. In no event shall the Issuer be entitled to damages of any nature other than the liquidated damages herein specified, provided that such liquidated damages are paid to the Issuer within thirty (30) days of the date mentioned in Section B.1 hereof.

B. **Delivery of and Payment for the Bonds.**

1. At or prior to 11:30 a.m., prevailing time in Nashville, Tennessee on August 27, 2014, the date of delivery and payment for the Bonds (the "**Closing Date**"), or at such other time or date as shall have been mutually agreed upon by the Issuer and the Representative, the Issuer will deliver or cause to be delivered to the Representative, the Bonds, qualified for book-entry delivery through The Depository Trust Company ("**DTC**") in New York, New York, or at the offices of Regions Bank, Nashville, Tennessee (the "**Paying Agent**" and "**Trustee**") pursuant to the DTC "FAST Program" in definitive form, duly executed by officers of the Issuer designated in the Resolution and authenticated by the Trustee, together with the other documents hereinafter mentioned; and, subject to the conditions contained herein, the Representative will accept such delivery and pay the Purchase Price by wire transfer of immediately available funds payable to the order of the Issuer.
2. The Issuer and the Representative agree that there shall be a preliminary closing held at the Office of State and Local Finance of the State of Tennessee, 505 Deaderick Street, Suite 1600, Nashville, Tennessee, commencing at least eighteen (18) hours prior to the Closing Date, or at such other time or place as the Issuer and the Representative shall agree.
3. Delivery of the definitive Bonds shall be made as aforesaid, or at such other location as may be designated by the Representative at least two (2) business days prior to the Closing Date. Payment for the Bonds shall be made as set forth in Section B.1. hereof.

The delivery of the other documents shall be made at the Office of State and Local Finance of the State of Tennessee or at the offices of the Attorney General of the State of Tennessee ("**Counsel to the Issuer**"), John Sevier Building, 425 Fifth Avenue North, Nashville, Tennessee. Such payment and the related delivery are herein called the "**Closing**." The Bonds will be delivered as fully-registered bonds, bearing proper CUSIP numbers, and registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds.

4. After execution by the Issuer, the Bonds shall be held in safe custody by DTC in New York, New York or by DTC through the Trustee and the "FAST Program". The Issuer shall release or authorize the release of the Bonds from safe custody at the Closing upon receipt of payment for the Bonds as aforesaid.

C. **Official Statement**

1. The Issuer hereby consents to and confirms the prior use by the Underwriters of the Preliminary Official Statement delivered to the Underwriters and made available on the Internet at "www.i-dealprospectus.com", dated July 29, 2014, and revised on July 31, 2014 to include ratings and a change in the redemption terms (the "**Preliminary Official Statement**"), in connection with the public offering of the Bonds by the Underwriters, and further confirms the authority of the Underwriters to use, and consents to the use of, a final Official Statement (in printed or electronic form) with respect to the Bonds, to be dated the date hereof, and any amendments or supplements thereto that shall be approved by the Issuer (as so amended and supplemented, the "**Official Statement**") in connection with the public offering, and sale of the Bonds. The Issuer hereby represents and warrants that the Preliminary Official Statement previously furnished to the Representative was "deemed final" by the Issuer as of July 31, 2014 for purposes of Rule 15c2-12 ("**Rule 15c2-12**") promulgated by the Securities and Exchange Commission of the United States (the "**SEC**") under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") except for the omission of such information as is permitted in Rule 15c2-12.
2. The Issuer shall provide, or cause to be provided, to the Representative within seven (7) business days after the date of this Purchase Agreement or three (3) business days prior to the Closing, whichever comes first, five (5) executed counterparts of the Official Statement, and five (5) conformed copies of a final Official Statement (or such lesser amount which the Representative agrees will be sufficient to permit the Underwriters to comply with Rule 15c2-12 and other applicable rules of the SEC and the Municipal Securities Rulemaking Board (the "**MSRB**")). The Issuer shall further cause the Official Statement to be posted on www.i-dealprospectus.com for the longer of thirty (30) calendar days or until the End of the Underwriting Period as defined herein.
3. The Issuer hereby authorizes the Representative to file, and the Representative hereby agrees to file, the Official Statement with the MSRB through the operation of the Electronic Municipal Market Access system ("**EMMA**") within one (1) business day after receipt from the Issuer, but by no later than the Closing Date (as defined herein), in such manner and accompanied by such forms as are required by the MSRB, in accordance with applicable MSRB Rules, and shall maintain such books and records as required by MSRB Rules with respect to filing of the Official Statement.

- D. **Amendments to Official Statement**. The Issuer covenants with the Underwriters to notify promptly the Representative if, during the Update Period (as defined in H.3 herein), any event

shall occur that would cause the Official Statement to contain, or information shall come to the attention of the Issuer that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain, any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and if in the opinion of the Representative such event requires the preparation and distribution of a supplement or amendment to the Official Statement, to prepare and furnish to the Representative, at the Issuer's expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the Issuer and approved by the Representative, as the Representative may reasonably request and if such notification shall be given subsequent to the Closing Date, such additional legal opinions, certificates, instruments, and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

- E. **Public Offering.** The Underwriters agree to make a bona fide initial public offering of all the Bonds at prices not in excess of the initial offering price or prices or at yields not lower than the initial offering yield or yields set forth in the Official Statement; *provided, however*, that the Underwriters may change such initial offering price or prices, or yield or yields, as they deem necessary in connection with the offering of the Bonds without any requirement of prior notice, and may offer and sell the Bonds to certain institutions at prices lower or yields higher than those stated in the Official Statement. The Representative agrees to provide a certificate as to the issue price of the Bonds on which the Issuer and the Bond Counsel may rely.
- F. **End of Underwriting Period.** For purposes of this Purchase Agreement, the "End of the Underwriting Period" shall mean the later of the Closing Date (which shall constitute the End of the Underwriting Period, unless the Issuer has been notified to the contrary by the Representative on or prior to the Closing Date) or the date on which the "end of the underwriting period" for the Bonds has occurred under Rule 15c2-12. The Representative shall notify the Issuer when the "end of the underwriting period" for the Bonds has occurred under Rule 15c2-12 with respect to the unsold balance of bonds that are held by any Underwriters for sale to the public within the meaning of Rule 15c2-12.
- G. **Plan of Financing.**
1. The Bonds shall be as described in, and shall be issued under and secured pursuant to the provisions of the Resolution substantially in the form delivered to the Representative, with only such changes therein as shall be mutually agreed upon between the Issuer and the Representative prior to Closing.
 2. The net proceeds from the sale of the 2014A Bonds will be used to: (i) prepay the principal amount of Revolving Credit Loans previously issued for certain projects, (ii) finance a portion of the costs for certain projects, (iii) provide funds necessary to refund the Higher Educational Facilities Second Program Bonds, 2005 Refunding Series A, maturing May 1, 2016 through May 1, 2027, inclusive, and May 1, 2030 and the Higher Educational Facilities Second Program Bonds, 2007 Series B, maturing May 1, 2022 and May 1, 2036 (the "2014A Refunded Bonds") and (iv) pay certain costs of issuance of the 2014A Bonds
 3. The net proceeds from the sale of the 2014B Bonds will be used to: (i) provide funds necessary for the refunding of the Higher Educational Facilities Second Program Bonds, 2006 Series A, maturing May 1, 2036, the Higher Educational Facilities Second Program

Bonds, 2007 Series A, maturing May 1, 2018 through May 1, 2026, inclusive, and May 1, 2031, the Higher Educational Facilities Second Program Bonds, 2008 Series A, maturing May 1, 2017 through May 1, 2026, inclusive, May 1, 2028, May 1, 2030, May 1, 2032, and May 1, 2034, the Higher Educational Facilities Second Program Bonds, 2008 Series B, maturing May 1, 2019 through May 1, 2025, inclusive, May 1, 2028, that portion of the May 1, 2033 term bond subject to mandatory redemption in May 1, 2029, and May 1, 2038, and the Higher Educational Facilities Second Program Bonds, 2009 Series A, maturing May 1, 2020 through May 1, 2025, inclusive (the **"2014B Refunded Bonds"**), and (ii) pay certain costs of issuance of the 2014B Bonds.

4. In connection with the issuance of each of the 2014A Refunded Bonds and the 2014B Refunded Bonds, the Issuer will enter into a Refunding Trust Agreement, dated as of the Closing Date (collectively, the **"Refunding Trust Agreements"**) with the Trustee.
5. The Bonds will constitute special obligations of the Issuer, the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on which shall be payable solely from and secured by the Annual Financing Charges and Legislative Appropriations derived pursuant to the Second Program Financing Agreement, dated as of November 1, 1997, by and between the Issuer and the Board of Trustees, and the Second Program Financing Agreement, dated as of November 1, 1997, as amended as of May 9, 2013, by and between the Issuer and the Board of Regents, as appropriate, in each case, as supplemented and amended from time to time (the **"Financing Agreements"**), and other monies and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.
6. The Issuer has elected to establish separate accounts in the Debt Service Reserve Fund for the Bonds with no current funding requirement. Accordingly, the Bonds currently will not be secured by any debt service reserve.

H. **Representations and Warranties of the Issuer.**

The Issuer hereby agrees with, and makes the following representations and warranties to the Underwriters, as of the date hereof and as of the Closing Date, which representations and warranties shall survive the Closing:

1. The Issuer is duly organized and existing, created pursuant to the provisions of Title 49, Chapter 3, Part 12, Tennessee Code Annotated, as amended (the **"Act"**) and is a corporate governmental agency and instrumentality of the State of Tennessee (the **"State"**). The Issuer is authorized by the provisions of the Act to, among other things, (i) issue the Bonds for the purposes set forth herein and in the Resolution, (ii) secure the Bonds in the manner contemplated in the Resolution, and (iii) execute, deliver and perform its obligations under the Bonds, the Resolution, the Financing Agreements, this Purchase Agreement, and the Refunding Trust Agreements.
2. The Issuer has, and at the Closing Date will have, full legal right, power, and authority pursuant to the Resolution to enter into this Purchase Agreement, to execute and deliver the Continuing Disclosure Undertaking, dated as of August 27, 2014, in substantially the form described in Appendix G to the Official Statement (the **"Continuing Disclosure Undertaking"**), and the Refunding Trust Agreements, to issue, sell, and deliver the Bonds as provided herein and to carry out and consummate the transactions contemplated

by this Purchase Agreement, the Resolution, the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements and the Official Statement.

3. On and as of the date hereof and, unless an event of the nature described in Section J.2. hereof subsequently occurs, at all times during the period from the date hereof to and including the date which is twenty-five (25) days following the End of the Underwriting Period (the "**Update Period**"), the information in the Official Statement with respect to the Issuer and its affairs does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
4. The Issuer has complied, and will at the Closing be in compliance, in all material respects, with the Resolution and the Act.
5. By official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized and approved the distribution of the Preliminary Official Statement and the execution, delivery, and distribution of the Official Statement, and has duly authorized and approved the issuance and sale of the Bonds upon the terms set forth herein and in the Resolution and the Official Statement, and the execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Bonds, the Resolution, the Continuing Disclosure Undertaking, the Financing Agreements, the Refunding Trust Agreements, and this Purchase Agreement.
6. The Issuer is not in breach of or in default under the Act or any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement, or other instrument to which the Issuer is a party or is otherwise subject or by which it or its properties may be bound, that is material to the issuance, payment or security for the Bonds. The issuance and sale of the Bonds upon the terms set forth herein and in the Resolution and the Official Statement, and the execution and delivery by the Issuer of the Resolution, the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, and this Purchase Agreement, and its compliance with the provisions of each thereof, will not conflict with or constitute a material breach of or default under the Act or any law, administrative regulation, judgment, decree, indenture, loan agreement, note, resolution agreement, or other instrument to which the Issuer is a party or is otherwise subject.
7. All approvals, consents, and orders of any governmental authority, board, agency, or commission having jurisdiction that would constitute a condition precedent to the performance by the Issuer of its obligations hereunder, the issuance of the Bonds and the execution and delivery and performance by the Issuer of the Resolution, the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, and this Purchase Agreement, have been obtained or will be obtained prior to the Closing.
8. The Bonds, when issued, authenticated, and delivered in accordance with the Resolution and sold to the Underwriters as provided herein, will be the valid and binding obligations of the Issuer as provided in the Resolution, enforceable against the Issuer in accordance with their terms and the terms of the Resolution, payable solely from the Annual Financing Charges, Legislative Appropriations and other monies and securities held or set aside under the Resolution, subject to the application thereof to the purpose and on the

conditions permitted by the Resolution, issued in conformity with and entitled to the benefit and security of the Resolution.

9. The Resolution has been duly adopted by the Issuer. The terms and provisions of the Resolution comply in all material respects with the requirements of the Act. The Resolution is valid and binding upon the Issuer and is enforceable against the Issuer in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Annual Financing Charges and Legislative Appropriations (as each is defined in the Resolution), and all rights under the Second Program Financing Agreements or otherwise to receive the same, and moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.
10. The Financing Agreements constitute, and when executed and delivered by the parties thereto, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, and this Purchase Agreement will constitute, the valid contractual obligations of the Issuer. The Issuer has not waived immunity from suit or extended its consent to be sued (other than for the Resolution and the Bonds as described in paragraphs 8 and 9 above), and monetary actions against the Issuer for breach of contractual obligations may be heard and determined under current law exclusively in the Tennessee Claims Commission, an administrative tribunal, where the Issuer may be liable only for actual damages and certain costs.
11. The representations and warranties in paragraphs 8, 9 and 10 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law.
12. There is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, pending or, to the knowledge of the Issuer, threatened against the Issuer, the Board of Trustees or the Board of Regents affecting the existence of the Issuer, the Board of Trustees or the Board of Regents or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoin the issuance, sale, or delivery of the Bonds or the Annual Financing Charges or the Legislative Appropriations or the collection of the revenues or assets of the Issuer pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds or the Resolution, or contesting or affecting the validity of the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, or this Purchase Agreement or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, or contesting the power or authority of the Issuer to issue the Bonds or to execute and deliver the Resolution, the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, or this Purchase Agreement, or wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity or enforceability of the Bonds or the Resolution, or materially adversely affect the validity of the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, or this Purchase Agreement.

13. The proceeds received from the sale of the Bonds shall be used in accordance with the Act and the Resolution and as set forth in the Official Statement.
14. Any certificate signed by an authorized officer of the Issuer and delivered to the Representative shall be deemed a representation and warranty of the Issuer to the Underwriters as to the statements made therein.
15. The Issuer has entered or will enter into, in accordance with Rule 15c2-12, the Continuing Disclosure Undertaking in substantially the form described in Appendix G to the Official Statement for the benefit of bondholders to provide to the MSRB through EMMA (a) certain annual financial information, including audited financial statements and operating data, as described in Appendix G to the Official Statement, (b) timely notice (not in excess of ten business days after the occurrence of the event) of any of the fourteen events identified in Rule 15c2-12 with respect to the Bonds, and (c) timely notice of any failure of any obligated person to provide the required annual information on or before the date specified in the written agreement.
16. Except as described in the Official Statement, the Issuer has not failed during the previous five (5) years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

I Covenants of the Issuer. The Issuer hereby covenants with the Underwriters that:

1. The Issuer shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended prior to the End of the Underwriting Period without the prior written consent of the Representative, which will not be unreasonably withheld.
2. The Issuer shall not amend, terminate, or rescind, and will not agree to any amendment, termination, or rescission of the Resolution, the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, or this Purchase Agreement without the prior written consent of the Representative prior to the Closing Date, which will not be unreasonably withheld.
3. The Issuer shall promptly advise the Representative by written notice of any matter arising or discovered after the date of this Purchase Agreement and prior to the Closing Date that if existing or known at the date hereof would render any of the representations or warranties set forth herein to be untrue or misleading or might adversely affect the correctness or completeness of any statement of material fact regarding the Issuer contained in the Official Statement; or any developments that affect the accuracy and completeness of the key representations (within the meaning of Rule 15c2-12) regarding the Issuer contained in the Official Statement that may occur during the Update Period.
4. The Issuer shall not voluntarily undertake any course of action inconsistent with satisfaction of the requirements applicable to the Issuer as set forth in this Purchase Agreement.
5. The Issuer shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exemption from state income taxation of the Bonds and the income therefrom.

- 6 The Issuer will use the proceeds of the 2014B Bonds in accordance with the Resolution and the Act and will not permit at any time or times any of the proceeds of the 2014B Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of any of the 2014B Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") for any reason, including, without limitation the classification of the 2014B Bonds as "private activity bonds" within the meaning of Section 141(a) of the Code or as obligations guaranteed by the United States of America, as provided in Section 149(b) of the Code; and the Issuer will at no time take any action or omit to take any action which, by commission or omission, would cause interest of the 2014B Bonds to be includable in gross income for federal income tax purposes pursuant to Section 103 of the Code or cause such interest to be included in any alternative minimum tax other than an alternative minimum tax which applies to all tax-exempt bonds generally.

J **Certain Conditions to Underwriters' Obligations.** The Underwriters have entered into this Purchase Agreement in reliance upon the representations, warranties, and agreements of the Issuer contained herein and upon the accuracy of the statements to be contained in the documents and instruments to be delivered at the Closing. Accordingly, the Underwriters' obligations under this Purchase Agreement to purchase, accept delivery of, and pay for the Bonds are subject to the performance by the Issuer of its obligations hereunder required to be performed at or prior to the Closing Date, and to the following additional conditions precedent:

1. On the Closing Date, the representations and warranties of the Issuer contained herein shall be true, complete, and correct as if made on and as of the Closing Date; the Official Statement shall have been executed and delivered by the Issuer; the Resolution, the Financing Agreements, the Continuing Disclosure Undertaking, and the Refunding Trust Agreements shall have been duly executed and delivered by the appropriate parties thereto, shall be in full force and effect, and shall not have been amended, modified, or supplemented, except as may have been agreed to in writing by the Representative or as provided herein, the proceeds of the sale of the Bonds shall have been paid to the Issuer for deposit for use as described in the Official Statement and in the Resolution; and the Issuer shall have adopted and there shall be in full force and effect such resolutions as, in the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, and Bass, Berry & Sims PLC, counsel for the Underwriters, shall be necessary in connection with the transactions contemplated hereby.
2. The Underwriters shall have the right to cancel their obligation to purchase the Bonds if between the date hereof and the Closing:
 - a) legislation shall have been enacted by or introduced in the Congress of the United States or the legislature of the State of Tennessee or shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or the State of Tennessee or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority, with respect to federal or state taxation upon revenues or other income of the general character of that to be derived by the Issuer from its operations, or upon interest received on obligations of the general character of the Bonds that, in the Representative's reasonable judgment, materially adversely

affects the market for the Bonds, or the market price generally of obligations of the general character of the Bonds, or the ability of the Underwriters to enforce contracts for sale of the Bonds; or

- b) there shall exist any event or circumstance that in the Representative's reasonable judgment either makes untrue or incorrect in any material respect any statement or information in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make any statement of material fact therein not misleading in any material respect; or
- c) there shall have occurred (1) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war occurs; or (2) the occurrence of any other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the reasonable judgment of the Representative, makes it impracticable or inadvisable to proceed with the offering or the delivery of the Bonds on the terms and in the manner contemplated in the Preliminary Official Statement or the Official Statement; or
- d) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds; or
- e) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds; or
- f) legislation shall be enacted or be proposed by a committee of Congress or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Bonds or any comparable securities of the Issuer, any obligations of the general character of the Bonds, the Resolution and the Continuing Disclosure Undertaking, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (the "**Securities Act**") or of the Trust Indenture Act of 1939, as amended and as then in effect, or otherwise, or would be in violation of any provision of the federal securities laws; or
- g) there shall have been any material adverse change in the affairs of the Issuer, the Board of Regents, the Board of Trustees, the Institutions or the State that in the Representative's reasonable judgment will materially adversely affect the market for the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds, including a downgrading or suspension of any rating (without regard to credit enhancement) by Moody's Investors Service, Inc. ("**Moody's**"),

Standard & Poor's ("S&P"), or Fitch Ratings ("Fitch") of any debt securities issued by the Issuer, or there shall have been any official statement as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) of any rating by Moody's, S&P or Fitch of any debt securities issued by the Issuer, including the Bonds, not reflected in such ratings on the date hereof; or

- h) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a material change to the net capital requirements of, underwriters established by the New York Stock Exchange, the SEC, any other federal or State of Tennessee agency or the Congress of the United States, or by Executive Order; or
- i) a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the Bonds, including all the underlying obligations as contemplated hereby or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act, and the Trust Indenture Act of 1939, as amended; or there shall have occurred, after the signing hereof, either a financial crisis or a default with respect to the debt obligations of the State or proceedings under the bankruptcy laws of the United States or of the State or any agency of the State shall have been instituted by the State, in either case the effect of which, in the reasonable judgment of the Representative, is such as to materially and adversely affect the market price or the marketability of the Bonds or the ability of the Underwriters to enforce contracts of the sale of the Bonds.

3. At or prior to the Closing, the Representative shall receive the following:

- a) The unqualified approving opinion of Bond Counsel, addressed to the Issuer, dated the Closing Date and in substantially the form attached as Appendix H to the Official Statement with only such changes thereto as are satisfactory to the Representative, and a letter of such Bond Counsel, dated the date of Closing and addressed to the Underwriters, to the effect that Bond Counsel's opinion addressed to the Issuer may be relied upon by the Underwriters to the same extent as if such opinion were addressed to them;
- b) A supplementary opinion of Bond Counsel, dated the Closing Date, addressed to the Underwriters and the Issuer, to the effect that: this Purchase Agreement has been duly authorized, executed and delivered by the Issuer, and constitutes the valid contractual agreement of the Issuer, subject to sovereign immunity, applicable bankruptcy, insolvency, reorganization, moratorium and other laws theretofore or thereafter enacted affecting creditors' rights, and the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law; no approval or other action is required to be obtained by the Issuer from any governmental authority or agency in connection with the issuance and sale of the Bonds, the adoption of the Resolution, or the execution by the Issuer

of this Purchase Agreement, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, or the Official Statement that has not already been obtained or taken, except that the offer and sale of the Bonds in certain jurisdictions may be subject to compliance with the provisions of the securities or blue sky laws of such jurisdictions (as to which no opinion need be expressed); the statements contained in the Official Statement under the captions "Introduction", "Purposes of the Offered Bonds", "Description of the Offered Bonds" (except Appendix F referred to therein), "Security and Sources of Payment for the Bonds", "Tax Matters", Appendix C- Glossary of Certain Terms, Appendix E - Summary of Certain Provisions of the Resolution, and Appendix G - Summary of Certain Provisions of the Continuing Disclosure Undertaking and the statements contained in the Official Statement describing the Resolution and the Financing Agreements, fairly summarize the provisions of such documents (or, in the case of "Tax Matters", matters of law) purported to be summarized; the Bonds are not subject to the registration requirements of the Securities Act; and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;

- c) A certificate of Counsel to the Issuer, dated the Closing Date, and in form and substance satisfactory to the Representative, to the effect that: there is no action, suit, or proceeding or investigation at law or in equity before or by any court, public board, or body pending, or, to the knowledge of such counsel, threatened against or affecting the Issuer to restrain or enjoin the issuance or delivery of any of the Bonds or the security pledged under the Resolution, or in any way contesting or affecting the power of the Issuer relating to the issuance or validity of the Bonds or any provision of the Resolution, or the execution, delivery, and performance by the Issuer of the Resolution, the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, or this Purchase Agreement;
- d) An opinion or opinions of Counsel to the Issuer addressed to the Issuer that the Issuer (i) has full legal right, power, and authority to adopt the Resolution and to enter into, the Continuing Disclosure Undertaking, the Financing Agreements, the Refunding Trust Agreements, and this Purchase Agreement, and to issue the Bonds and apply the proceeds thereof pursuant to the Resolution; (ii) the Resolution is valid and binding upon the Issuer and is enforceable against the Issuer in accordance with its terms; (iii) the Resolution creates the valid pledge which it purports to create of the Annual Financing Charges and Legislative Appropriations (as each is defined in the Resolution), and all rights under the Second Program Financing Agreements or otherwise to receive the same, and moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; (iv) the Bonds are valid and binding upon the Issuer and are enforceable against the Issuer in accordance with their terms, payable solely from the Annual Financing Charges and Legislative Appropriations (as each is defined in the Resolution), and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; (v) the Issuer has duly authorized, executed, and delivered the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, and this Purchase Agreement and, assuming due authorization, execution, and delivery by the other parties

thereto, each constitutes the valid contractual agreement of the Issuer; (vi) each of the opinions in (ii) (iii), (iv) and (v) above is subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law (the State has not waived the immunity of the State (including, for this purpose, the Issuer and the Board of Regents and Board of Trustees) from suit or extended its consent to be sued with respect to the Financing Agreements, the Continuing Disclosure Undertaking, and the Purchase Agreement; accordingly, monetary actions against the State (including the Issuer, the Board of Trustees and the Board of Regents) for breach of contractual obligations relating to the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, and the Purchase Agreement may be heard and determined under current law exclusively in the Tennessee Claims Commission, an administrative tribunal, where liability may be limited to actual damages and certain costs); (vii) compliance with the provisions of the Bonds, the Resolution, the Continuing Disclosure Undertaking, the Financing Agreements, the Refunding Trust Agreements, and this Purchase Agreement will not conflict with or constitute a violation or breach of or default under any existing law or administrative rule or regulation, or, to the best of the knowledge of such counsel, any court order or decree, or any agreement, contract, or other instrument to which the Issuer is a party or is otherwise subject or bound; (viii) the distribution of the Preliminary Official Statement and the execution, delivery, and distribution of the Official Statement have been duly authorized by the Issuer, and nothing has come to such counsel's attention that would lead it to believe that the Official Statement as of its date and as of the date of the opinion (except for any financial or statistical material included therein and the statements contained under the heading "Tax Matters", as to which such counsel expresses no opinion or view) contains any untrue statement of a material fact, omits to state any material fact required to be stated therein, or omits to state any material fact necessary to make the statements made in the Official Statement, in light of the circumstances under which they were made, not be misleading; (ix) no approval or other action is required to be obtained by the Issuer from any governmental authority or agency in connection with the issuance and sale of the Bonds, or the execution by the Issuer of this Purchase Agreement, the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, or the Official Statement which has not already been obtained or taken, except that the offer and sale of the Bonds in certain jurisdictions may be subject to compliance with the provisions of the securities or blue sky laws of such jurisdictions (as to which no opinion need be expressed); (x) the Official Statement has been duly executed and delivered by the Issuer; (xi) the resolutions of the Issuer approving and authorizing the issuance and sale of the Bonds, and the execution and delivery of this Purchase Agreement, the Financing Agreements, the Continuing Disclosure Undertaking, the Refunding Trust Agreements, and the Official Statement were duly adopted at one or more meetings of the Issuer that were called and held pursuant to all applicable laws and regulations, and with all public notice required by all applicable laws and regulations and at which a quorum was present and acting throughout; and (xii) the representations and warranties of the Issuer as set forth in this Purchase Agreement are, as to all matters of law, true and accurate on and as of the Closing Date as if made on the Closing Date

- e) The opinion of counsel to the Underwriters, dated the Closing Date, to the effect that the Bonds are exempt from registration under the Securities Act, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; and without having undertaken to determine independently, or to assume responsibility for, the accuracy, completeness or fairness thereof, and based solely on their participation in meetings and telephone conferences at which representatives of the Issuer, Bond Counsel, and the Representative were at various times present, nothing has come to their attention that would lead them to believe that the information and statements in the Official Statement (except for the financial statements and statistical data included in the Official Statement and "Appendix F – Book-Entry Only System", as to which no view need be expressed) contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that the form of Continuing Disclosure Undertaking meets the requirements of Rule 15c2-12 as to form;
- f) A certificate dated the Closing Date by the Secretary or Assistant Secretary to the Issuer to the effect that: the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date (except to the extent the same relate to an earlier date) with the same effect as if made on the Closing Date; and the Issuer has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied with respect to the Bonds at or prior to the Closing;
- g) A certificate dated the Closing Date by the Secretary or Assistant Secretary to the Issuer to the effect that: no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that it is necessary to disclose therein in order to make the statements and information therein with respect to the Issuer not misleading in any material respect;
- h) A certificate of an officer of the Issuer, acceptable to the Representative, dated the Closing Date, to the effect that the Bonds have been executed in accordance with the Resolution by duly authorized officers or signatories of the Issuer; and an incumbency certificate of the Issuer, in form and content acceptable to the Representative and Bond Counsel, dated the Closing Date, with respect to the officers or other signatories of the Issuer who have executed and delivered the Bonds and all other financing documents to be signed by the Issuer;
- i) Evidence satisfactory to the Representative that the Bonds have been rated not less than "AA," "Aa1" and "AA+" respectively, by S&P, Moody's, and Fitch, which ratings remain in effect on the Closing Date; and are not, as of the Closing Date, subject to review or watch;
- j) Copies of the Resolution certified by the Secretary or Assistant Secretary as having been duly adopted by the Issuer and as being in full force and effect, with such changes or amendments as may have been approved by the Representative;
- k) Executed counterparts of the Continuing Disclosure Undertaking, the Financing Agreements, the Refunding Trust Agreements, and the Purchase Agreement,

executed by the parties thereto, or copies thereof certified by the Secretary or Assistant Secretary of the Issuer, and specimens of the Bonds;

- l) The Preliminary Official Statement and the Official Statement, together with any supplements or amendments thereto in the event either has been supplemented or amended, in the case of the Official Statement executed on behalf of the Issuer by a duly authorized officer thereof;
- m) A non-arbitrage certificate, dated the date of Closing, for the 2014B Bonds, signed by an authorized officer of the Issuer, in a form acceptable to the Underwriters and Bond Counsel; and
- n) A letter from The Arbitrage Group, Inc. verifying the mathematical accuracy of certain schedules and computations provided by the Representative with respect to the availability of sufficient funds under the Refunding Trust Agreements (including investment income) for payment of the Series 2014A Refunded Bonds and the Series 2014B Refunded Bonds, respectively, as described in the respective Refunding Trust Agreements.
- o) Such additional legal opinions, signatures, delivery and other certificates, and other instruments and documents as the Underwriters may reasonably request to evidence the truth, accuracy and completeness, as of the date of the Purchase Agreement and as of the date of Closing, of the representations and warranties of the Issuer contained in this Purchase Agreement and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer at or prior to Closing of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions of this Purchase Agreement if, but only if, they are in form and substance reasonably satisfactory to the Underwriters and their counsel.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriters nor the Issuer shall have any further obligations hereunder, except as provided in Section K hereof. However, the Representative may in its discretion waive one or more of the conditions imposed by this Purchase Agreement for the protection of the Underwriters and proceed with the Closing.

K. Payment of Expenses.

- 1. The Underwriters shall be under no obligation to pay, and the Issuer shall pay from available funds or from the proceeds of the Bonds or from other funds of the Issuer, certain expenses set forth in this Section that are incidental to the performance of the Issuer's obligations hereunder, including but not limited to: all expenses in connection with the printing of the Preliminary Official Statement, the Official Statement, and any amendment or supplement to either thereof; all expenses in connection with the printing, issuance, and delivery of the Bonds; the fees and disbursement of Bond Counsel, Counsel to the Issuer, auditors and verification accountants; the fees and disbursements of the Trustee; all expenses in connection with obtaining a rating or ratings for the Bonds; all

expenses of the Issuer in connection with the preparation, printing, execution, and delivery, and any recording or filing required by Bond Counsel, of the Resolution, the Financing Agreements, the Continuing Disclosure Undertaking, and the Refunding Trust Agreements; any recording or filing fees required by this Purchase Agreement (excluding the costs of qualifying the Bonds for sale in various states); fees relating to the verification report; the Issuer's administrative fees; rating agency fees, and all other expenses and costs of the Issuer incident to its obligations in connection with the authorization, issuance, sale, and distribution of the Bonds.

2. The Representative shall pay the costs of qualifying the Bonds for sale in various states chosen by the Representative, all advertising expenses in connection with the public offering of the Bonds, and all other expenses incurred by it or the other Underwriters in connection with the public offering and distribution of the Bonds, including the fees and disbursements of their counsel and the cost of obtaining CUSIP numbers.

L. Blue Sky Qualification. The Issuer agrees to cooperate with the Underwriters and their counsel in any endeavor to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Representative may request; provided that the Issuer shall not be required to qualify as a foreign corporation in, or submit to the jurisdiction of, any other state. The Issuer consents to the use of the Preliminary Official Statement and the Official Statement by the Representative in obtaining such qualification.

M. No Advisory or Fiduciary Role.

1. The Issuer acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Issuer and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as the agent, advisor (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)) or fiduciary of the Issuer, (iii) the Underwriters have not assumed (individually or collectively) an advisory or fiduciary responsibility in favor of the Issuer with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or are currently providing other services to the Issuer on other matters) and the Underwriters have no obligation to the Issuer with respect to the offering contemplated hereby other than those arising out of their role as Underwriters pursuant to the terms of this Purchase Agreement, (iv) the Issuer has consulted its own legal, financial and other advisors to the extent it has deemed appropriate, and (v) the Underwriters have financial and other interests that differ from those of the Issuer.
2. The Issuer and the Underwriters represent and warrant, respectively, that no finder or other agent has been employed by either the Issuer or the Underwriters in connection with this transaction.

N. Notices. All notices provided for in this Purchase Agreement shall be made in writing either by actual delivery of the notice into the hands of the parties entitled thereto, by confirmed facsimile transmission, or by sending the notice by air courier or mailing by certified or registered mail, return receipt requested, in the United States mail to the address as stated below (or at such other address as may have been designated by written notice) of the party entitled thereto. The notice

shall be deemed to be received in case of actual delivery on the date of its actual receipt by the party entitled thereto, in case of delivery by facsimile, on the date receipt is confirmed, in case of delivery by air courier on the date of delivery, and in case of mailing on the date of receipt by United States mail, postage prepaid.

All communications hereunder, except as herein otherwise specifically provided, shall be in writing and mailed or delivered to the Issuer and to the Underwriters at the following addresses:

Tennessee State School Bond Authority
16th Floor, James K. Polk Building
505 Deaderick Street
Nashville, Tennessee 37243-0273
Attention: Director of State and Local Finance
Facsimile: 615-741-5986

Citigroup Global Markets Inc.
11780 US Highway One, Suite 201
North Palm Beach, Florida 33408
Attention: Michael Hole, Managing Director
Facsimile: 561-694-7086

- O. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State, including, without limitation, those laws applicable to contracts made and to be performed by the Issuer.
- P. Counterparts. This Purchase Agreement may be executed in counterparts with the same force and effect as if all signatures appeared on a single instrument.
- Q. Miscellaneous. This Purchase Agreement is made solely for the benefit of the signatories hereto (including the successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. The term "successor" shall not include any holder of any Bonds merely by virtue of such holding. All representations, warranties, agreements, and indemnities contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriters, (ii) delivery of and payment for the Bonds, and (iii) any termination of this Purchase Agreement.

[Signatures on Following Page]

Very truly yours,

CITIGROUP GLOBAL MARKETS INC., on
behalf of itself and as Representative of the
other Underwriters listed in Appendix I hereto

By: _____
Name Michael Hole
Title, Managing Director

ACCEPTED

TENNESSEE STATE SCHOOL BOND AUTHORITY

By: _____
Title: Comptroller of the Treasury, Authorized Officer

Date: August 7th, 2014

Time: _____

[Execution Page]

Very truly yours,

CITIGROUP GLOBAL MARKETS INC., on
behalf of itself and as Representative of the
other Underwriters listed in Appendix I hereto

By: Michael Hole
Name: Michael Hole
Title: Managing Director

ACCEPTED

TENNESSEE STATE SCHOOL BOND AUTHORITY

By: _____
Title: Comptroller of the Treasury, Authorized Officer

Date: August __, 2014

Time: _____

[Execution Page]

APPENDIX I

To

Bond Purchase Agreement

UNDERWRITERS

Representative and Senior Manager

Citigroup Global Markets Inc.

Co-Managers

J.P. Morgan Securities LLC
SunTrust Robinson Humphrey, Inc.
Raymond James & Associates, Inc.

APPENDIX II

To

Bond Purchase Agreement

\$132,450,000

HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM BONDS, 2014 SERIES A (FEDERALLY TAXABLE)

Maturity Date	Amount	Rate	Yield	Price
11/1/2015	10,625,000	0.350%	0.350%	100.000
11/1/2016	10,695,000	0.650%	0.650%	100.000
11/1/2017	7,220,000	1.250%	1.250%	100.000
11/1/2018	4,715,000	1.691%	1.691%	100.000
11/1/2019	4,800,000	1.861%	1.961%	99.508
11/1/2020	4,835,000	2.239%	2.339%	99.426
11/1/2021	4,955,000	2.669%	2.669%	100.000
11/1/2022	5,095,000	2.862%	2.862%	100.000
11/1/2023	5,250,000	2.962%	2.962%	100.000
11/1/2024	5,425,000	3.062%	3.062%	100.000
11/1/2025	5,600,000	3.262%	3.262%	100.000
11/1/2026	5,145,000	3.362%	3.362%	100.000
11/1/2027	5,325,000	3.512%	3.512%	100.000
11/1/2028	5,520,000	3.612%	3.612%	100.000
11/1/2029	5,730,000	3.712%	3.712%	100.000
11/1/2034*	11,865,000	4.007%	4.007%	100.000
11/1/2044*	29,650,000	4.207%	4.207%	100.000

*Term Bond

Optional Redemption.

The 2014A Bonds maturing on or after November 1, 2025 are subject to redemption prior to their stated maturities from any available moneys, at any time on and after November 1, 2024 as a whole, or in part from time to time in any order of maturity determined by the Issuer, at a Redemption Price equal to the principal amount of such 2014A Bonds or portions thereof to be redeemed, together with the interest accrued on such principal amount to the date fixed for redemption.

Prior to November 1, 2024, the 2014A Bonds are subject to redemption prior to their stated maturities from any available moneys, at any time as a whole, or in part from time to time in any order of maturity as determined by the Issuer, at a Redemption Price equal to the Make-Whole Redemption Price (as defined below).

The "Make-Whole Redemption Price" of any 2014A Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such 2014A Bonds or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2014A Bonds are to be redeemed, discounted on a semiannual basis to the date on which such 2014A Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus twenty (20) basis points; plus, in each case, accrued and unpaid interest on such 2014A Bonds on such redemption date.

The "Treasury Rate" is, as of the redemption date of any 2014A Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) or, if such Statistical Release is no longer published, any source of similar market data) that has become publicly available at least two (2) business days, but not more than forty-five (45) calendar days, prior to such redemption date (excluding inflation indexed securities) most nearly equal to the period from such redemption date to the maturity date of such 2014A Bonds to be redeemed; provided, however, that if the period from such redemption date to such maturity date is less than one year, the latest weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year that has become publicly available at least two (2) business days, but not more than forty-five (45) calendar days, prior to such redemption date will be used.

The Make-Whole Redemption Price (and, if necessary, such substitute source of market data) will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Issuer to calculate such redemption price (the "Calculation Agent"). The determination by the Calculation Agent of the redemption price will be conclusive and binding on the Issuer, the Trustee, Paying Agent and Registrar, and the holders of the 2014A Bonds.

Mandatory Sinking Fund Redemption.

The 2014A Bonds maturing on November 1, 2034 and November 1, 2044, are Term Bonds subject to redemption in part on November 1 in each of the years and in the respective principal amounts set forth below at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption, from Sinking Fund Installments which are required to be accumulated in the Debt Service Fund in amounts sufficient to redeem on November 1 of each year shown below the principal amount of such 2014A Bonds specified for such year:

November 1, 2034 Term Bond

<u>Year</u>	<u>Principal Amount</u>
2030	\$2,185,000
2031	2,280,000
2032	2,365,000
2033	2,470,000
2034*	2,565,000

*Final Maturity

November 1, 2044 Term Bond

<u>Year</u>	<u>Principal Amount</u>
2035	\$2,665,000
2036	2,530,000
2037	2,635,000
2038	2,745,000
2039	2,860,000
2040	2,980,000
2041	3,105,000
2042	3,240,000
2043	3,375,000
2044*	3,515,000

*Final Maturity

\$212,200,000
HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM BONDS,
2014 REFUNDING SERIES B

Maturity Date	Amount	Rate	Yield	Price
11/1/2016	3,260,000	3.000%	0.350%	105.743
11/1/2017	4,795,000	4.000%	0.660%	110.485
11/1/2018	12,325,000	5.000%	0.980%	116.414
11/1/2019	16,220,000	5.000%	1.360%	118.137
11/1/2020	17,085,000	5.000%	1.650%	119.596
11/1/2021	18,000,000	5.000%	1.900%	120.706
11/1/2022	18,610,000	5.000%	2.110%	121.599
11/1/2023	16,120,000	5.000%	2.280%	122.406
11/1/2024	15,940,000	5.000%	2.390%	123.452
11/1/2025	13,520,000	5.000%	2.500%	122.339 C
11/1/2026	12,580,000	5.000%	2.600%	121.337 C
11/1/2027	11,805,000	5.000%	2.680%	120.542 C
11/1/2028	7,200,000	5.000%	2.800%	119.362 C
11/1/2029	4,985,000	5.000%	2.880%	118.583 C
11/1/2030	5,250,000	5.000%	2.950%	117.906 C
11/1/2031	5,720,000	5.000%	3.000%	117.425 C
11/1/2032	6,030,000	5.000%	3.040%	117.042 C
11/1/2033	6,090,000	5.000%	3.090%	116.566 C
11/1/2034	4,325,000	5.000%	3.140%	116.092 C
11/1/2035	4,550,000	5.000%	3.190%	115.620 C
11/1/2036	3,795,000	5.000%	3.240%	115.151 C
11/1/2037	3,995,000	5.000%	3.290%	114.683 C

C=Priced to call date of 11/1/2024.

Optional Redemption.

The 2014B Bonds maturing on or prior to November 1, 2024, are not subject to redemption prior to maturity. The 2014B Bonds maturing on or after November 1, 2025, are subject to redemption prior to their stated maturities from any available moneys, at any time on and after November 1, 2024 as a whole, or in part from time to time in any order of maturity determined by the Issuer, at a Redemption Price equal to the principal amount of such 2014B Bonds or portions thereof to be redeemed, together with the interest accrued on such principal amount to the date fixed for redemption.

2014A REFUNDING TRUST AGREEMENT

THIS 2014A REFUNDING TRUST AGREEMENT (the "**Agreement**"), dated as of August 27, 2014, between the Tennessee State School Bond Authority (the "**Authority**") and Regions Bank, as successor Trustee, Paying Agent and Registrar under the Second Program General Bond Resolution hereinafter mentioned and as trustee hereunder (the "**Refunding Trustee**").

WITNESSETH:

WHEREAS, the members of the Authority, by resolution adopted April 27, 1998 entitled "HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM GENERAL BOND RESOLUTION" (as amended, the "**Second Program General Bond Resolution**"), created and established an issue of Higher Educational Facilities Second Program Bonds of the Authority and authorized the issuance of such bonds in one or more series pursuant to supplemental resolutions;

WHEREAS, the Authority, pursuant to supplemental resolutions adopted under the Second Program General Bond Resolution by the members of the Authority on May 31, 2005, and January 3, 2007, issued (i) \$100,540,000 principal amount of Higher Educational Facilities Second Program Bonds, 2005 Refunding Series A (the "**2005A Bonds**"), and (ii) \$14,040,000 principal amount of Higher Educational Facilities Second Program Bonds, 2007 Series B (Federally Taxable) (the "**2007B Bonds**" and, collectively with the 2005A Bonds, the "**Prior Bonds**") to provide moneys to carry out the purposes of the Authority, including to refund bonds therefore issued, all in accordance with the Act and the Second Program General Bond Resolution;

WHEREAS, the following Prior Bonds, among others, currently are outstanding under the Second Program General Bond Resolution, as the case may be:

A. \$56,680,000 principal amount of 2005A Bonds maturing on May 1, 2016, through 2027 and 2037 (the "**2005A Bonds to be Redeemed**"); and

B. \$7,725,000 principal amount of 2007B Bonds maturing on May 1, 2022 and 2036 (the "**2007B Bonds to be Redeemed**" and, together with the 2005A Bonds to be Redeemed, the "**Bonds to be Redeemed**"), which Bonds to be Redeemed are more fully described in Exhibit A hereto;

WHEREAS, the members of the Authority have determined that it is advisable and in the best financial interests and to the economic advantage of the Authority to refund the Bonds to be Redeemed and redeem them as provided herein;

WHEREAS, for the purpose of providing for the refunding and redemption of the Bonds to be Redeemed, the members of the Authority, pursuant to a supplemental resolution adopted pursuant to the Second Program General Bond Resolution on June 18, 2014, entitled "SUPPLEMENTAL RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM

BONDS”, including as a part thereof the 2014 Bonds Series Certificate dated August 27, 2014, authorized thereby (the “**Series Certificate**”) (collectively, the “**Refunding Resolution**”), authorized the issuance of its Higher Educational Facilities Second Program Bonds, 2014 Series A (Federally Taxable) (the “**Refunding Bonds**”); and

WHEREAS, the Refunding Resolution provides that certain proceeds of the Refunding Bonds shall, and other available moneys may, be deposited in trust funds to be held by the Refunding Trustee, and provides the manner of investing and the application of such proceeds and other moneys;

NOW, THEREFORE, in consideration of the foregoing and of the agreements herein set forth, the Authority and the Refunding Trustee agree as follows:

SECTION 1. There is hereby created and established in accordance with Sections 9 and 11 of the Refunding Resolution a special segregated and irrevocable trust fund to be held by the Refunding Trustee and designated the “Tennessee State School Bond Authority 2014A Refunding Trust Fund” (the “**Refunding Trust Fund**”).

SECTION 2. The Refunding Trustee acknowledges receipt of \$68,322,242.30 derived from the sale of the Refunding Bonds, all of which has been deposited in the Refunding Trust Fund.

SECTION 3. The trust created by, and deposit of moneys in the Refunding Trust Fund in trust as provided in, Section 1 hereof shall be irrevocable, and all moneys and securities in the Refunding Trust Fund shall be used and applied solely for the respective purposes set forth in Sections 4, 5 and 8 hereof.

SECTION 4. Of the moneys deposited with the Refunding Trustee pursuant to the Refunding Resolution and Section 1 hereof, and on deposit in the Refunding Trust Fund as acknowledged in Section 2 hereof, the Refunding Trustee, concurrently with the execution of this Agreement, shall (i) apply \$68,321,609.24 to the purchase from the United States Treasury, Wells Fargo Securities and Credit Suisse Securities (USA) LLC of the respective securities described in Exhibit B hereto, which shall be credited to the Refunding Trust Fund, and (ii) retain \$633.06 in the Refunding Trust Fund as cash.

(a) The United States Treasury obligations described in Exhibit B hereof are referred to herein collectively as the “**Government Obligations**”.

(b) The maturing principal of and interest on the Government Obligations described in Exhibit B hereto and the \$633.06 in cash referred to in the foregoing subsection (a) will provide moneys sufficient to pay the interest to become due on and the full **Redemption Price** (as such term is defined in the Second Program General Bond Resolution) of the Bonds to be Redeemed on their redemption date specified in Section 7 hereof (the “**Defeasance Requirements of the Bonds to be Redeemed**”).

(c) The Authority and the Refunding Trustee hereby acknowledge receipt from The Arbitrage Group, Inc., of verification that the Government Obligations described in Exhibit B hereto mature (without regard to any reinvestment of investment earnings on such

Governmental Obligations) in such amounts and at such times as are necessary and sufficient, together with any moneys held in the Refunding Trust Fund representing investment proceeds thereof and earnings thereon and the cash referred to in the foregoing subsection (c), to pay the Defeasance Requirements of the Bonds to be Redeemed.

SECTION 5. At the written direction of the Authority, the Refunding Trustee shall reinvest moneys and Government Obligations on deposit in the Refunding Trust Fund in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (the "**Substitute Obligations**", which upon acquisition in accordance herewith shall thereupon constitute Government Obligations for all purposes hereof), which obligations (and in the case of Separate Trading of Registered Interest and Principal of Securities ("**STRIPs**") the bonds underlying such obligations) (i) shall be non-callable and not prepayable, (ii) shall not include mutual funds or unit investment trusts holding such obligations, (iii) are rated not lower than the second highest rating category of both Moody's Investors Service, Inc. and Standard & Poor's Ratings Services and (iv) shall mature and bear interest payable at such times and in such amounts as will be sufficient, together with other moneys and Government Obligations on deposit in the Refunding Trust Fund, to pay the remaining Defeasance Requirements of the Bonds to be Redeemed; provided, however, that concurrently with such written direction, the Authority shall provide the Refunding Trustee with (a) an unqualified opinion of nationally recognized bond counsel to the effect that such reinvestment is authorized or permitted by this Agreement and the Refunding Resolution, and (b) a verification report from a certified public accountant or financial analyst, or firm of either thereof, reasonably satisfactory to the Refunding Trustee, that any Substitute Obligations mature in such amounts and at such times as are necessary and sufficient, together with any moneys or other Governmental Obligations held in the Refunding Trust Fund, to pay the remaining Defeasance Requirements of the Bonds to be Redeemed.

Any reinvestment authorized hereby shall be accomplished by sale, transfer, request for redemption or other disposition of all or a portion of the Government Obligations then on deposit in the Refunding Trust Fund with the proceeds thereof, if necessary, together with other moneys in the Refunding Trust Fund, if necessary, being applied simultaneously to the purchase of Substitute Obligations, all as specified in the written direction of the Authority.

In the absence of a written direction as aforesaid, the Trustee shall hold uninvested any proceeds and other available moneys arising under this Agreement.

SECTION 6. The Refunding Trustee, promptly upon the delivery of the Refunding Bonds, shall mail, by first class mail postage prepaid, to each registered owner of Bonds to be Redeemed, a notice substantially in the form attached hereto as ~~Exhibit C~~. The Refunding Trustee, as Registrar under the Second Program General Bond Resolution, hereby agrees in accordance with Section 1401(B) of the Second Program General Bond Resolution that the form of such notice is satisfactory to it.

SECTION 7. Pursuant to the Refunding Resolution, Article IV of the Second Program General Bond Resolution, and the respective series and supplemental resolutions authorizing the Bonds to be Redeemed, the Authority elects to redeem, and directs the redemption of, the Bonds to be Redeemed in accordance with the following schedule:

<u>Series of Bonds</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2005A	May 1, 2015	100.0%
2007B	May 1, 2017	100.0

The Refunding Trustee, as Registrar and Paying Agent under the Second Program General Bond Resolution for the Bonds to be Redeemed, (i) acknowledges receipt of such elections and directions and (ii) agrees to mail notices of such redemptions of the Bonds to be Redeemed at the times and in the manner provided in Sections 405(A) and (B) of the Second Program General Bond Resolution and the respective supplemental resolutions authorizing the issuance thereof. Such notices shall be mailed at least fifteen (15) days and not more than thirty (30) days prior to the respective redemption dates. Such notices shall be substantially in the forms attached hereto as Exhibit D-1 and Exhibit D-2 hereof.

(a) The Refunding Trustee, as Paying Agent under the Second Program General Bond Resolution for the Bonds to be Redeemed, from the principal and interest received on Government Obligations described in Exhibit B and cash on deposit in the Refunding Trust Fund, shall pay the Defeasance Requirements of the Bonds to be Redeemed as and when due and payable.

SECTION 8. All moneys remaining on deposit in the Refunding Trust Fund after the payment of the Redemption Price of and interest on the respective Bonds to be Redeemed as provided herein, or the reservation therein of sufficient funds for such purposes, shall be remitted to the Authority for deposit in the General Fund created and established pursuant to the Second Program General Bond Resolution.

SECTION 9. This Agreement shall not be repealed, revoked, altered or amended without the written consent of the holders of the Bonds to be Redeemed that are affected thereby and the written consent of the Refunding Trustee; provided, however, that the Authority and the Refunding Trustee may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (1) to cure any ambiguity or formal defect or omission in this Agreement;
- (2) to grant to, or confer upon, the Refunding Trustee for the benefit of such holders any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Refunding Trustee;
- (3) to subject to this Agreement additional funds, securities or properties.

The Refunding Trustee shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including (i) the extent, if any, to which any change, modification or addition affects the rights of the holders of the Bonds to be Redeemed, and (ii) the extent, if any, to which any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 10. The trust hereby created shall be irrevocable and the holders of the Bonds to be Redeemed shall have an express lien on all moneys and securities in the Refunding Trust Fund until transferred out pursuant to Section 8 hereof or otherwise paid out, used and applied in accordance with this Agreement.

SECTION 11. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received or, in the case of telecopier notice sent over a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as either of the parties hereto may hereafter specify in writing to the other:

If to the Authority: Tennessee State School Bond Authority
James K. Polk Building
505 Deaderick Street
Suite 1600
Nashville, Tennessee 37243-0273
Attention: Director of Bond Finance
Telecopier: (615) 741-5986

If to the Refunding Trustee: Regions Bank
Corporate Trust Services
150 Fourth Avenue North
Suite 900
Nashville, Tennessee 37219
Attention: Paul Williams
Telecopier: (615) 770-4350

SECTION 12. The Refunding Trustee shall act as agent for the Authority under this Agreement and shall hold all moneys in trust for the benefit of the holders of the Bonds to be Redeemed, as herein provided. In the performance by the Refunding Trustee of its duties as agent hereunder, the Refunding Trustee shall take and perform only such actions as are specifically provided to be taken or performed by the express provisions of this Agreement and the Refunding Trustee shall have no implied duties or obligations hereunder.

The Refunding Trustee, solely in such capacity and not as Trustee, Registrar or Paying Agent under the Second Program General Bond Resolution, shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by the Authority of the Authority's obligations, or to protect any of the Authority's rights under any bond proceedings or any of the Authority's other contracts with or franchises or privileges from any state, county, authority or other governmental agency or with any person. The Refunding

Trustee shall not be liable for any act done or step taken or omitted to be taken by it, or for any mistake of fact or law, or anything which it may do or refrain from doing, except for its own negligence, misconduct or default or the unexplained loss of funds or securities in its custody, in the performance or nonperformance of any obligation imposed upon it hereunder. The Refunding Trustee shall not be responsible in any manner whatsoever for the recitals or statements contained herein or in the Bonds to be Redeemed or in the Refunding Bonds or in any proceedings taken in connection therewith, but they are made solely by the Authority. The Refunding Trustee shall have no lien whatsoever upon any of the monies or investments in the Refunding Trust Fund for the payment of fees and expenses for services rendered by the Refunding Trustee under this Agreement.

The Refunding Trustee shall not be liable for the accuracy of the calculations as to the sufficiency of Refunding Trust Fund monies and Government Obligations and the earnings thereon to pay the Bonds to be Redeemed. So long as the Refunding Trustee applies any monies, the Government Obligations and the interest earnings therefrom to pay the Bonds to be Redeemed as provided herein, and complies fully with the terms of this Agreement, the Refunding Trustee shall not be liable for any deficiencies in the amounts necessary to pay the Bonds to be Redeemed caused by such calculations. The Refunding Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement and in full compliance with the provisions hereof.

None of the provisions contained in this Agreement shall require the Refunding Trustee to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Refunding Trustee shall be under no liability for interest on any funds or other property received by it hereunder, except as herein expressly provided.

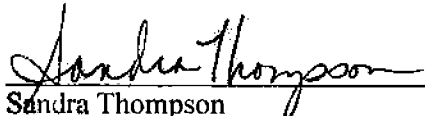
SECTION 13. If any one or more of the covenants or agreements provided in this Agreement on the part of the Authority or the Refunding Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.


[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers, all as of the date first above written.

TENNESSEE STATE SCHOOL BOND
AUTHORITY

By: 
Sandra Thompson
Assistant Secretary

REGIONS BANK

By: 
Paul Williams
Vice President

[Signature Page of 2012A Refunding Trust Agreement]

EXHIBIT A

Bonds to be Redeemed

<u>Series</u>	<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number*</u>
2005A	2016	\$ 8,230,000	5.000%	880557 F32
	2017	8,660,000	5.000	880557 F40
	2018	4,770,000	5.000	880557 F57
	2019	2,235,000	5.000	880557 F65
	2020	2,350,000	5.000	880557 F73
	2021	2,400,000	5.000	880557 F81
	2022	2,525,000	5.000	880557 F99
	2023	2,655,000	5.000	880557 G23
	2024	2,795,000	5.000	880557 G31
	2025	2,940,000	5.000	880557 G49
	2026	3,095,000	5.000	880557 G56
	2027	1,655,000	4.200	880557 G64
	2030	<u>12,370,000</u>	5.000	880557 G72
		\$56,680,000		
2007B	2022	<u>\$2,845,000</u>	5.544%	880557 S20
	2036	<u>4,880,000</u>	5.666	880557 S38
		<u>\$7,725,000</u>		

* These CUSIP numbers have been assigned to this issue by an organization not affiliated with the Tennessee State School Bond Authority or any fiscal agent thereof including the Paying Agent and Registrar, and are included solely for the convenience of the Paying Agent and Registrar and the holders of the Bonds to be redeemed. Neither the Tennessee State School Bond Authority nor any fiscal agent thereof shall be responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds called for redemption or as indicated in this Exhibit.

EXHIBIT B

Government Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Purchase Price¹</u>
SLGS ²	11/01/2014	\$ 1,410,329	0.020%	\$ 1,410,329.00
SLGS ²	05/01/2015	<u>58,066,803</u>	0.060	<u>58,066,803.00</u>
		<u>\$59,477,132</u>		<u>\$59,477,132.00</u>
T Bill ³	10/30/2014	\$ 176,000	N/A	\$175,996.87
T Note ⁴	04/30/2015	177,000	2.500%	181,352.30
T Note ⁴	10/31/2015	179,000	1.250	181,974.40
T Note ⁴	04/30/2016	179,000	2.000	185,069.65
T Note ⁴	10/31/2016	182,000	1.000	184,190.86
T Note ⁴	04/30/2017	<u>7,907,000</u>	0.875	<u>7,935,893.16</u>
		<u>\$8,800,000</u>		<u>\$8,844,477.24</u>
				<u>\$68,321,609.24</u>

¹ Includes accrued interest.

² Time Deposit Securities – State and Local Government Series.

³ Purchased from Wells Fargo Securities.

⁴ Purchased from Credit Suisse Securities (USA) LLC.

EXHIBIT C

Notice of Refunding and Defeasance

**Tennessee State School Bond Authority
Higher Educational Facilities Second Program Bonds
2005 Refunding Series A and
2007 Series B (Federally Taxable)
Described in the Schedule Attached Hereto**

NOTICE IS HEREBY GIVEN that the Tennessee State School Bond Authority (the "Authority") on August 27, 2014, issued its Higher Educational Facilities Second Program Bonds, 2014 Refunding Series A (Federally Taxable) (the "Refunding Bonds") for the purpose of refunding prior to their stated maturities the above-captioned bonds described in the Schedule attached hereto (the "Refunded Bonds") and causing the Refunded Bonds to be no longer outstanding under the resolutions authorizing their issuance. Proceeds of the Refunding Bonds have been deposited with Regions Bank (the "Refunding Trustee") to be held in trust and have been retained as cash or invested in certain direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, all pursuant to a 2014A Refunding Trust Agreement dated as of August 27, 2014, by and between the Authority and the Refunding Trustee. Such obligations mature in such amounts and at such times as will assure, together with cash on deposit, sufficient moneys (i) to pay when due the interest on the Refunded Bonds to and including their respective redemption dates, as described in the Schedule attached hereto, and (ii) to redeem the Refunded Bonds on their respective redemption dates at the respective redemption prices described in the Schedule attached hereto.

Dated: August 27, 2014

TENNESSEE STATE SCHOOL BOND
AUTHORITY

By: Regions Bank,
as Refunding Trustee

Schedule to Notice of Refunding and Defeasance

Tennessee State School Bond Authority

Refunded Bonds

<u>Series</u>	<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Number*</u>
2005A	2016	\$ 8,230,000	5.000%	May 1, 2015	100.0%	880557 F32
	2017	8,660,000	5.000	May 1, 2015	100.0	880557 F40
	2018	4,770,000	5.000	May 1, 2015	100.0	880557 F57
	2019	2,235,000	5.000	May 1, 2015	100.0	880557 F65
	2020	2,350,000	5.000	May 1, 2015	100.0	880557 F73
	2021	2,400,000	5.000	May 1, 2015	100.0	880557 F81
	2022	2,525,000	5.000	May 1, 2015	100.0	880557 F99
	2023	2,655,000	5.000	May 1, 2015	100.0	880557 G23
	2024	2,795,000	5.000	May 1, 2015	100.0	880557 G31
	2025	2,940,000	5.000	May 1, 2015	100.0	880557 G49
	2026	3,095,000	5.000	May 1, 2015	100.0	880557 G56
	2027	1,655,000	4.200	May 1, 2015	100.0	880557 G64
	2030	<u>12,370,000</u>	5.000	May 1, 2015	100.0	880557 G72
		\$56,680,000				
2007B	2022	<u>\$2,845,000</u>	5.544%	May 1, 2017	100.0%	880557 S20
	2036	<u>4,880,000</u>	5.666	May 1, 2017	100.0	880557 S38
		<u>\$7,725,000</u>				

* These CUSIP numbers have been assigned to this issue by an organization not affiliated with the Tennessee State School Bond Authority or any fiscal agent thereof including the Refunding Trustee, and are included solely for the convenience of the Refunded Bondholders. Neither the Tennessee State School Bond Authority nor any fiscal agent thereof shall be responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Refunded Bonds or as indicated in this Notice of Refunding and Defeasance.

EXHIBIT D-1

Notice of Redemption

**Tennessee State School Bond Authority
Higher Educational Facilities Second Program Bonds
2005 Refunding Series A
Listed Below**

Notice is hereby given to the holders of the outstanding Higher Educational Facilities Second Program Bonds, 2005 Refunding Series A, dated June 1, 2005, of the Series described above (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on May 1, 2015 (the "Redemption Date") at a redemption price of 100.0% of the principal amount thereof (the "Redemption Price"), plus accrued interest on the principal amount thereof to the Redemption Date.

<u>Maturity Date</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Number*</u>
2016	\$ 8,230,000	5.000%	880557 F32
2017	8,660,000	5.000	880557 F40
2018	4,770,000	5.000	880557 F57
2019	2,235,000	5.000	880557 F65
2020	2,350,000	5.000	880557 F73
2021	2,400,000	5.000	880557 F81
2022	2,525,000	5.000	880557 F99
2023	2,655,000	5.000	880557 G23
2024	2,795,000	5.000	880557 G31
2025	2,940,000	5.000	880557 G49
2026	3,095,000	5.000	880557 G56
2027	1,655,000	4.200	880557 G64
2030	<u>12,370,000</u>	5.000	880557 G72
	\$56,680,000		

* These CUSIP numbers have been assigned to this issue by an organization not affiliated with the Tennessee State School Bond Authority or any fiscal agent thereof including the Paying Agent and Registrar, and are included solely for the convenience of the Paying Agent and Registrar and the holders of the Bonds called for redemption. Neither the Tennessee State School Bond Authority nor any fiscal agent thereof shall be responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds called for redemption or as indicated in this Notice of Redemption.

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. On and after the Redemption Date, interest shall cease to accrue and be payable on the Bonds called for redemption.

The Redemption Price will be paid upon presentation and surrender of the Bonds called for redemption, unless otherwise agreed by the Authority, at the office of Regions Bank, as Paying Agent and Registrar for the Bonds, as follows:

Regions Bank
Lakeshore Operations Center
Corporate Trust Operations
201 Milan Parkway, 2nd Floor
Birmingham, AL 35211
Toll Free 1-866-512-3479

Interest due on and prior to the Redemption Date will be paid in the usual manner.

Under the provisions of the Jobs and Growth Tax Reconciliation Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Owners of Bonds called for redemption who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their Bonds called for redemption for payment.

Dated this ____ day of _____, 2015.

TENNESSEE STATE SCHOOL BOND
AUTHORITY

By: Regions Bank
as Paying Agent and Registrar

EXHIBIT D-2

Notice of Redemption

**Tennessee State School Bond Authority
Higher Educational Facilities Second Program Bonds
2007 Series B
Listed Below**

Notice is hereby given to the holders of the outstanding Higher Educational Facilities Second Program Bonds, 2007 Series B, dated January 1, 2007, of the Series described above (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on May 1, 2017 (the "Redemption Date") at a redemption price of 100.0% of the principal amount thereof (the "Redemption Price"), plus accrued interest on the principal amount thereof to the Redemption Date.

<u>Maturity Date (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number*</u>
2022	\$2,845,000	5.544%	880557 S20
2036	4,880,000	5.666	880557 S38
	\$7,725,000		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. On and after the Redemption Date, interest shall cease to accrue and be payable on the Bonds called for redemption.

The Redemption Price will be paid upon presentation and surrender of the Bonds called for redemption, unless otherwise agreed by the Authority, at the office of Regions Bank, as Paying Agent and Registrar for the Bonds, as follows:

Regions Bank
Lakeshore Operations Center
Corporate Trust Operations
201 Milan Parkway, 2nd Floor
Birmingham, AL 35211
Toll Free 1-866-512-3479

Interest due on and prior to the Redemption Date will be paid in the usual manner.

* These CUSIP numbers have been assigned to this issue by an organization not affiliated with the Tennessee State School Bond Authority or any fiscal agent thereof including the Paying Agent and Registrar, and are included solely for the convenience of the Paying Agent and Registrar and the holders of the Bonds called for redemption. Neither the Tennessee State School Bond Authority nor any fiscal agent thereof shall be responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds called for redemption or as indicated in this Notice of Redemption.

Under the provisions of the Jobs and Growth Tax Reconciliation Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Owners of Bonds called for redemption who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their Bonds called for redemption for payment.

Dated this ____ day of _____, 2017.

TENNESSEE STATE SCHOOL BOND
AUTHORITY

By: Regions Bank
as Paying Agent and Registrar

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is dated and made as of August 27, 2014, by the Tennessee State School Bond Authority (the "Authority") in connection with the issuance of the Authority's \$132,450,000 aggregate principal amount of Higher Educational Facilities Second Program Bonds, 2014 Series A (Federally Taxable) (the "2014A Bonds"), and \$212,200,000 aggregate principal amount of Higher Educational Facilities Second Program Bonds, 2014 Refunding Series B (the "2014B Bonds" and, collectively with the 2014A Bonds, the "2014 Bonds"). As authorized by Section 12 of the Supplemental Resolution of the Authority authorizing the 2014 Bonds, adopted on June 18, 2014, the Authority agrees as follows:

ARTICLE I

DEFINITIONS

Section 1.1. **Definitions.** The following terms used in this Undertaking shall have the following respective meanings:

(1) "Annual Financial Information" means updated versions of the following financial information and operating data contained in the Official Statement with respect to the Authority, for each fiscal year of the Authority:

- Outstanding Second Program Bonds (see "THE AUTHORITY—Outstanding Second Program Bonds of the Authority")
 - Authorized and Outstanding Commercial Paper, if any, and Revolving Credit Loans, if any (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Subordinated Obligations; Revolving Credit Loans")
 - Tennessee Consolidated Retirement System financial information and operating data and Higher Education Employer Contributions (see "TENNESSEE PUBLIC HIGHER EDUCATION—Employee Retirement Benefits")
 - Other Post-Employment Benefits unfunded liabilities and annual required contributions (see "TENNESSEE PUBLIC HIGHER EDUCATION—Other Post-Employment Benefits")
 - Appendix B—Selected Statistical Information;
- (ii) the information regarding amendments to this Undertaking required pursuant to Sections 4.2(c) and (d) of this Undertaking, (iii) Audited Financial Statements (or, if unavailable, Unaudited Financial Statements), and (iv) the Supplemental Annual Financial Information.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories or types of financial information and operating data. When such descriptions include information that no longer ~~can be generated~~ because the ~~operations to which it related~~ ~~have been materially changed~~ or ~~discontinued~~, a ~~statement to that effect~~ shall be ~~provided~~ in lieu of such information.

(2) "Audited Financial Statements" means the annual financial statements of the Authority, audited by such auditors as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means ~~Hawkins Delafield & Wood LLP~~ or other nationally recognized bond counsel or counsel expert in federal securities laws, in each case acceptable to the Authority.

(4) "EMMA" means the MSRB's Electronic Municipal Market Access system or its successor.

(5) "GAAP" means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b) of the Securities Exchange Act of 1934, as amended, or any successor to the MSRB or the functions of the MSRB contemplated by this Undertaking.

Bonds: (7) "Notice Event" means any of the following events with respect to the 2014

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2014 Bonds, or other material events affecting the tax status of the 2014 Bonds;

- (vii) modifications to rights of 2014 Bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) **release, substitution, or sale of property securing repayment of the 2014 Bonds, if material;**
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;

(Note to clause (xii): For the purposes of the event identified in **clause (xii) above, the event** is considered to occur **when** any of the **following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which** a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or **governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.)**

- (xiii) the consummation of a merger, **consolidation**, or acquisition involving the Authority or the sale of all or **substantially** all of the **assets** of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(8) "Notice Event Notice" means notice of a Notice Event.

(9) "Official Statement" means the Official Statement dated August 7, 2014, of the Authority relating to the 2014 Bonds.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the effective date hereof, including any official interpretations thereof.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "State" means the State of Tennessee.

(13) "Supplemental Annual Financial Information" means the annual financial statements referred to in Section 2.4 hereof.

(14) "Unaudited Financial Statements" mean the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE II

THE UNDERTAKING

Section 2.1. Purpose. This Undertaking is being executed, delivered and made solely to assist the underwriters of the 2014 Bonds in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. The Authority shall provide Annual Financial Information with respect to each fiscal year of the Authority, commencing with the fiscal year ending June 30, 2014, by no later than 7 months after the end of the respective fiscal year, to the MSRB.

(a) The Authority shall provide, in a timely manner, notice of any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 2.3. Authority Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 2.2(a) hereof because not available, the Authority shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 2.4. Supplemental Annual Financial Information. Notwithstanding anything in this Undertaking to the contrary, Annual Financial Information also shall include the annual financial statements of the State, including component unit reporting of The University of Tennessee system and the Board of Trustees of The University of Tennessee, and of the State University and Community College System of the State of Tennessee and the Tennessee Board of Regents, showing information of the type described in the Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal year 2012-2013, audited by such auditors as shall then be required or permitted by State law, if available. If not provided as part of Annual Financial Information by the date required by Section 2.2(a) because not available, the Authority shall provide audited financial statements, when and if available, to the MSRB. Such audited financial statements will be prepared in accordance with GAAP.

Section 2.5. Notice Events. If a Notice Event occurs, the Authority shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB.

(a) Any such notice of a defeasance of 2014 Bonds shall state whether the 2014 Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 2.6. Additional Disclosure Obligations. The Authority acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Authority and that, under some circumstances, additional disclosures or other action in addition to those required by this Undertaking may be required to enable the Authority to fully discharge all of its duties and obligations under such laws.

Section 2.7. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Notice Event Notice hereunder, in addition to that which is required by this Undertaking. If the Authority chooses to do so, the Authority shall have no obligation under this Undertaking to update such additional information or include it in any future Annual Financial Information or Notice Event Notice hereunder.

Section 2.8. Previous Non-Compliance. Certain financial information and operating data required to be filed within the five (5) years preceding the date of this Official Statement with nationally recognized municipal securities repositories pursuant to previous Rule 15c2-12 continuing disclosure undertakings by the Authority were not timely filed but have since been filed with the MSRB through EMMA. This included, for fiscal year ending June 30, 2012, (a) the information in the tables entitled (i) "Disclosed TSSBA Funded Capital Projects" and (ii) "Comparison of Tennessee Undergraduate Universities to Southern Regional Education Board Median Annual Undergraduate Tuition and Required Fees", and (b) Tennessee Consolidated Retirement System financial information and operating data and Higher Education Employer Contributions, and Other Post-Employment Benefits unfunded liabilities and annual required contributions. The Authority agreed to make such filings by January 31, 2013; however, the tables referred to in (a) and (b) in the preceding sentence were posted on EMMA on August 12, 2013 and October 3, 2013, respectively. In addition, certain available individual institution audit reports were not timely filed with EMMA, but have since been filed in all instances and in any event were and are available on the website of the Tennessee Comptroller of the Treasury. In its continuing disclosure undertakings, the Authority has agreed to file annual financial statements of the State when and if available. For the fiscal years ending June 30, 2009 and June 30, 2010, completion of the annual financial statements of the State was delayed as a result of the implementation of new financial software. Although such statements were filed on EMMA when completed, they were inadvertently not linked on EMMA to the Authority's bonds. Such statements have been since linked to the Authority's bonds. The Authority has a separate bond issuance program under which it issues qualified school construction bonds. The Authority failed to timely file certain required annual financial information for fiscal year ending June 30, 2009 for its Qualified School Construction Bonds, Series 2009, although much of this information was otherwise available online on the website of the Tennessee Comptroller of the Treasury. Such financial information has since been filed on EMMA. The Authority has also recently learned that rating downgrades on the insurer of several series of its outstanding bonds (2005 Series A, 2005 Series B, 2006 Series A, 2007 Series A, 2007 Series B, and 2007

Series C) were not the subject of material event notices due, in part, to the lack of any direct notification to the Authority of the specific rating impact on such bonds. Notice of such rating downgrades have since been filed on EMMA for all affected series. Finally, the material event notice with respect to the 2010 recalibration of the Authority's credit rating by Fitch was filed 17 days after the Fitch rating recalibration. The Authority believes that this filing was timely under the terms of its then-effective continuing disclosure agreements, which required that material event filings be made promptly (the Rule was subsequently amended to impose a 10-day window for filing notices of material events related to credit rating changes).

ARTICLE III

OPERATING RULES

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the Authority provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web Site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to Notice Event Notices pursuant to Section 2.5 hereof.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Filing with Certain Dissemination Agents or Conduits. The Authority may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Authority under this Undertaking, and revoke or modify any such designation.

Section 3.4. Transmission of Notices, Documents and Information (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to EMMA, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

Section 3.5. Fiscal Year. The Authority's current fiscal year is July 1 - June 30. The Authority shall promptly notify the MSRB of each change in its fiscal year.

(a) The Authority shall provide Annual Financial Information at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE IV

EFFECTIVE DATE, TERMINATION, AMENDMENT AND ENFORCEMENT

Section 4.1. Effective Date; Termination. This Undertaking shall be effective upon the issuance of the 2014 Bonds.

(a) The Authority's obligations under this Undertaking shall terminate with respect to each 2014 Bond upon the legal defeasance, prior redemption or payment in full of such 2014 Bond.

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Authority (1) receives an opinion of Counsel to the effect that those portions of the Rule which require this Undertaking, or such provision, as the case may be, do not or no longer apply to the 2014 Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 4.2. Amendment. This Undertaking may be amended without the consent of the holders of the 2014 Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules and regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby, (2) this Undertaking as so amended would have complied with the requirements of the Rule as of the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Authority shall have received an opinion of Counsel to the same effect as set forth in clause (2) above, (4) the Authority shall have received either an opinion of Counsel or a determination by a person, in each case unaffiliated with the Authority, to the effect that the amendment does not materially impair the interests of the holders of the outstanding 2014 Bonds, and (5) the Authority shall have delivered copies of such opinion(s) and amendment to the MSRB.

(a) This Undertaking may be amended without the consent of the holders of the 2014 Bonds if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Undertaking, (2) the Authority shall have received an opinion of Counsel to the effect that performance by the Authority under this Undertaking as so amended will not result in a violation of the Rule as so amended or officially interpreted and (3) the Authority shall have delivered copies of such opinion and amendment to the MSRB.

(b) To the extent any amendment to this Undertaking results in a change in the categories or types of financial information or operating data provided pursuant to this Undertaking, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(c) If an amendment is made to the accounting principles to be followed by the Authority, the State or any Institution in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 4.3. Contract; Benefit; Third-Party Beneficiaries; Enforcement. The provisions of this Undertaking shall constitute a contract with and inure solely to the benefit of the holders from time to time of the 2014 Bonds, except that beneficial owners of 2014 Bonds shall be third-party beneficiaries of this Undertaking and shall be deemed to be holders of 2014 Bonds for purposes of Section 4.3(b) hereof. The provisions of this Undertaking shall create no rights in any person or entity except as provided in this subsection (a).

(a) The obligations of the Authority to comply with the provisions of this Undertaking shall be enforceable by any holder of outstanding 2014 Bonds; however, the holders' rights to enforce the provisions of this Undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Undertaking.

(b) Any failure by the Authority to perform in accordance with this Undertaking shall not constitute a default or an event of default under the resolutions authorizing the 2014 Bonds or State law and shall not result in any acceleration of payment of the 2014 Bonds, and the rights and remedies provided by the resolutions authorizing the 2014 Bonds and applicable State law upon the occurrence of such a default or an event of default shall not apply to any such failure.

[Continued on Following Page]

(c) This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

TENNESSEE STATE SCHOOL BOND AUTHORITY

By: 
Sandra Thompson
Assistant Secretary



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February 18, 2015

Ms. Sandi Thompson
Director of State and Local Finance
State of Tennessee
James K. Polk Building, Suite 1600
Nashville, TN 37243

Dear Ms. Thompson:

Over the last several weeks, the Tennessee State School Bond Authority (the "Authority") has been monitoring refunding opportunities for viability. The current low interest rate environment is advantageous for the Authority to pursue the refunding opportunities, as well as to bond for new money projects. The Authority plans to issue tax-exempt and taxable refunding bonds to recognize interest rate savings, as well as to issue bonds to finance new projects, referred to herein as the 2015 Bonds.

On February 3, 2015, Public Financial Management, Inc. ("PFM"), in its capacity as Financial Advisor to the Authority, released a Request for Cost Proposal ("RFC") to certain underwriters in order to ascertain costs associated with the pending issuance. The RFC was delivered to nine (9) potential underwriters who have previously demonstrated an interest in working with the Authority: Morgan Stanley, Bank of America/ Merrill Lynch, Citi, J.P. Morgan, Piper Jaffray, Raymond James, SunTrust, Wells Fargo, and RBC Capital Markets. Eight of the nine underwriters responded; RBC Capital Markets was the only abstainer.

The Authority's cost of the bonds will be comprised of the market interest rates that the underwriting syndicate is able to sell the bonds to their investors and the costs of issuance related to the bonds including the compensation negotiated with the underwriting syndicate. The takedown, or sales commission paid to the underwriting syndicate, is the largest variable component of the underwriters' compensation.

A summary of the average takedowns proposed by the underwriters in response to the RFC are included below:

Financial Institution	Average Takedown	Management Fee	Total
Citi	\$0.49	\$0.00	\$0.49
J.P.Morgan	0.49	0.00	0.49
Bank of America/Merrill Lynch	0.69	0.00	0.69
Morgan Stanley	0.72	0.00	0.72
Piper Jaffray	0.75	0.00	0.75
Wells Fargo	1.00	0.00	1.00
SunTrust	1.00	0.00	1.00
Raymond James	1.50	0.10	1.60

Note: All are quoted on a "per bond" basis, where one bond is equal to \$1,000 in par.

While evaluating the responses, PFM considered the aggregate size of the bonds expected to be offered, issued as either tax-exempt and taxable bonds, as well as the general complexity of structuring the debt on a project-by-project basis. PFM recommends the Authority consider a team of underwriters

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led by a senior book-running manager who is a large, stable, and nationally-focused firm and has experience with transactions that are similar to the anticipated 2015 Bonds. Based upon the above mentioned criteria and the responses to the RFC, PFM recommends the Authority select Citi to serve as the senior book-running manager for the Authority's 2015 Bonds. Our recommendation is supported by Citi's performance on the Authority's bond sale in 2014 and their proposed underwriting compensation. PFM also recommends that the underwriting syndicate include co-managers and selling group members. Once the size of the 2015 Bonds has been determined, PFM will work with the Office of State and Local finance to determine the appropriate number of and a recommendation for co-managers to support the offering of the 2015 Bonds.

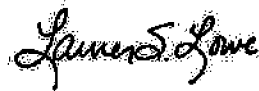
We look forward to working with the Authority and the selected underwriting team to successfully complete the sale of the 2015 Bonds.

Sincerely,

PUBLIC FINANCIAL MANAGEMENT, INC



Lisa L. Daniel
Managing Director



Lauren S. Lowe
Director